Prospectus dated November 22, 2021

Prospectus
for the public offering

in Germany and Luxembourg

of

201,340,062 newly issued no-par value (*Stückaktien*) registered (*Namensaktien*) ordinary shares from a capital increase against cash contributions from authorized capital with indirect subscription rights (*mittelbare Bezugsrechte*), resolved by the Management Board (*Vorstand*) of Vonovia SE on November 21, 2021 with approval of the Supervisory Board (*Aufsichtsrat*) of Vonovia SE on November 21, 2021

and

for the admission to trading

on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*)

and simultaneously

on the regulated market of the Luxembourg Stock Exchange (*Bourse de Luxembourg*)

of

201,340,062 newly issued no-par value registered (*Namensaktien*) ordinary shares (*Stückaktien*)

– each such share representing a notional value of EUR 1.00 in the share capital and carrying full dividend rights as from January 1, 2021 –

of

Vonovia SE
Bochum, Germany
Subscription Price: EUR 40.00

International Securities Identification Number (ISIN): DE000A1ML7J1
German Securities Code (*Wertpapierkennnummer* (*WKN*)): A1ML7J
Common Code: 094567408
Ticker Symbol: VNA

Joint Global Coordinators and Joint Bookrunners

BofA Securities **Morgan Stanley** **Société Générale**

Joint Bookrunners

BNP PARIBAS **Citigroup** **COMMERZBANK** **Deutsche Bank**

Goldman Sachs Bank Europe SE **ING** **IMI-Intesa Sanpaolo** **J.P. Morgan**

Landesbank Baden-Württemberg **UBS Investment Bank** **UniCredit Bank AG**

The validity of this Prospectus is expected to expire at the end of the day on December 13, 2021. The closing of the offer period is expected to occur on December 7, 2021 and the time when trading on a regulated market begins is expected to occur on December 13, 2021. The obligation to supplement this Prospectus in the event of any significant new factors, material mistakes or material inaccuracies no longer applies when this Prospectus is no longer valid.

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I. SUMMARY OF THE PROSPECTUS

A. Introduction and Warnings

This prospectus (the ***Prospectus***) relates to 201,340,062 newly issued no-par value (*Stückaktien*) registered (*Namensaktien*) ordinary shares from a capital increase against cash contributions from authorized capital with indirect subscription rights (*mittelbare Bezugsrechte*), resolved by the management board (*Vorstand*) of Vonovia SE on November 21, 2021 with approval of the supervisory board (*Aufsichtsrat*) of Vonovia SE on November 21, 2021 (the ***New Shares***), of Vonovia SE (the ***Company*** and, together with its consolidated subsidiaries, ***Vonovia*** or the ***Group***, including, as of the first day of consolidation on September 30, 2021, Deutsche Wohnen SE (Deutsche Wohnen SE together with its consolidated subsidiaries, ***Deutsche Wohnen***)). References in this Prospectus to Vonovia or the Group relating to facts or circumstances which occurred as of a date being prior to September 30, 2021, do not include Deutsche Wohnen. The Company has the business address Universitätsstraße 133, 44803 Bochum, Federal Republic of Germany (***Germany***) (telephone: + 49 234 314-0; website: www.vonovia.de), legal entity identifier (***LEI***): 5299005A2ZEP6AP7KM81. The International Securities Identification Number (***ISIN***) of the Company's shares is DE000A1ML7J1.

The New Shares will be offered by the Company, BofA Securities Europe SA, 51 rue La Boétie, 75008 Paris, France, LEI 549300FH0WJAPEHTIQ77 (***BofA Securities***), Morgan Stanley Europe SE, Große Gallusstraße 18, 60312 Frankfurt am Main, Germany, LEI 54930056FHWP7GIWYY08 (***Morgan Stanley***), and Société Générale, 29 boulevard Haussmann, 75009 Paris, France, LEI O2RNE8IBXP4R0TD8PU41 (***Société Générale***, and together with BofA Securities and Morgan Stanley, the ***Joint Global Coordinators***), and BNP PARIBAS, 16, boulevard des Italiens, 75009 Paris, France, LEI R0MUWSFPU8MPRO8K5P83 (***BNP Paribas***), Citigroup Global Markets Europe AG, Reuterweg 16, 60323 Frankfurt am Main, Germany, LEI 6TJCK1B7E7UTXP528Y04 (***Citigroup***), COMMERZBANK Aktiengesellschaft, Kaiserstraße 16 (Kaiserplatz), 60311 Frankfurt am Main, Germany, LEI 851WYGNLUQLFZBSYGB56 (***Commerzbank***), Deutsche Bank Aktiengesellschaft, Taunusanlage 12, 60325 Frankfurt am Main, Germany, LEI 7LTWFZYICNSX8D621K86 (***Deutsche Bank***), Goldman Sachs Bank Europe SE, Marienturm, Taunusanlage 9-10, 60329 Frankfurt am Main, Germany, LEI 8IBZUGJ7JPLH368JE346 (***GS***), ING Bank N.V., Bijlmerdreef 106, 1102 CT Amsterdam, the Netherlands, LEI 3TK20IVIUJ8J3ZU0QE75 (***ING***), Intesa Sanpaolo S.p.A., Piazza S. Carlo 156, 10121 Turin, Italy, LEI 2W8N8UU78PMDQKZENC08 (***IMI-Intesa Sanpaolo***), J.P. Morgan AG, Taunustor 1 (TaunusTurm), 60310 Frankfurt am Main, Germany, LEI 549300ZK53CNGEEI6A29 (***J.P. Morgan***), Landesbank Baden-Württemberg, Am Hauptbahnhof 2, 70173 Stuttgart, Germany, LEI B81CK4ESI35472RHJ606 (***LBBW***), UBS AG London Branch, 5 Broadgate, London EC2M 2QS, United Kingdom, LEI BFM8T61CT2L1QCEMIK50 (***UBS***), and UniCredit Bank AG, Arabellastrasse 12, 81925 Munich, Germany, LEI 2ZCNRR8UK83OBTEK2170 (***UniCredit*** and, together with BNP Paribas, Citigroup, Commerzbank, Deutsche Bank, GS, ING, IMI-Intesa Sanpaolo, J.P. Morgan, LBBW, UBS and the Joint Global Coordinators, the ***Joint Bookrunners***).

On November 22, 2021, the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*, ***BaFin***), Marie-Curie-Straße 24-28, 60439 Frankfurt am Main, Germany, www.bafin.de, approved this Prospectus as the competent authority under Regulation (EU) 2017/1129 of the European Parliament and of the Council of June 14, 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market and repealing Directive 2003/71/EC, as amended.

This summary should be read as an introduction to this Prospectus. Investors should base any decision to invest in the New Shares on the consideration of this Prospectus as a whole. Investors in the New Shares could lose all or part of their invested capital. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under national law, have to bear the costs of translating this Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled this summary, including any translation thereof, but only where this summary is misleading, inaccurate or inconsistent, when read together with the other parts of this Prospectus, or where it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in the New Shares.

B. Key Information on the Issuer

B.1 Who is the Issuer of the Securities?

Registration and Applicable Laws – The Company is a European company (*Societas Europaea*) under European and German law, with its registered corporate seat in Bochum, Germany, and registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) in Bochum under registration number HRB 16879. The Company's legal name is "Vonovia SE", its commercial name is "Vonovia" and its LEI is 5299005A2ZEP6AP7KM81.

Principal Activities – Vonovia's business model is based on the rental of good-quality, modern and, most importantly, affordable living space, the development and construction of new apartments, both for its own portfolio and for sale to third parties, the regular and sustainable disposals of individual condominiums, and the provision of comprehensive services relating to the living space and residential environment. These housing-related services include the services provided by Vonovia's own residential environment and craftsmen's organizations, such as repair and maintenance work. They further include ancillary services such as the provision of cable TV, energy services, automated meter reading and the senior-friendly modernization of apartments, as well as a considerable amount of the work carried out as part of the energy-efficient modernization of individual buildings and entire neighborhoods.

On August 23, 2021, Vonovia relaunched a public takeover offer to all shareholders of Deutsche Wohnen, a publicly listed property company, for a cash consideration of EUR 53.00 per Deutsche Wohnen share and the results of which were announced on October 26, 2021 (the ***Deutsche Wohnen Transaction***). The acquisition date on which the Company acquired control of Deutsche Wohnen, and therefore the first day of consolidation, was September 30, 2021. The Deutsche Wohnen Transaction ultimately closed on November 2, 2021. At the date of this Prospectus, Vonovia holds 87.6% of the voting rights in Deutsche Wohnen.

As of September 30, 2021, the real-estate portfolio held and managed by Vonovia prior to the implementation of the Deutsche Wohnen Transaction (the ***Vonovia Portfolio***) comprised a housing stock of around 353,700 residential units in almost all of Germany's major cities and growth regions as well as around 38,500 units in Sweden and around 21,600 residential units in Austria. As of September 30, 2021, the real-estate portfolio held and managed by Deutsche Wohnen (the ***Deutsche Wohnen Portfolio***) comprised approximately 157,600 residential and commercial units as well as nursing properties with around 9,270 beds and 1,030 places for assisted living.

As at September 30, 2021, the total fair value of the Vonovia Portfolio and the Deutsche Wohnen Portfolio amounted to EUR 95.4 billion. In addition to its own apartments, Vonovia managed 71,427 apartments for third parties as of September 30, 2021. This makes Vonovia, according to its own assessment, one of the leading residential real estate companies in Germany, Austria and Sweden, albeit with a very low market share of the residential rental market of around 1.5% in Germany due to the highly fragmented nature of the market. Effective as of September 18, 2020, Vonovia was included in the European blue chip stock index EURO STOXX 50, being currently the only real estate company and the first residential real estate company ever to be part of this index.

Major Shareholders – To the Company's knowledge, in particular based on shareholding notifications received by the Company as of the date of this Prospectus, the following shareholders directly or indirectly hold more than 3% of the Company's no-par value (*Stückaktien*) registered (*Namensaktien*) ordinary shares and voting rights.

	Actual (direct or indirect) ownership of Vonovia SE (in %)
Shareholders	**Share of voting rights**
Ministry of Finance for the State of Norway (Norges Bank)(1)	11.14
BlackRock Inc.(2)	8.87
JPMorgan Chase & Co.(3)	4.07
Stichting Pensioenfonds ABP(4)	4.04
Total	**28.12**

(1) Based on a notification received from the Ministry of Finance for the State of Norway, which was published on June 25, 2021, the Ministry of Finance for the State of Norway, through Norges Bank, held a notifiable share of the voting rights of Vonovia SE of 10.12% on June 24, 2021, based on a share capital of EUR 575,257,327. On November 21, 2021, Norges Bank notified the Company of its holding of approximately 11.14%.

(2) Based on a notification received from BlackRock, Inc. published on June 15, 2021, BlackRock, Inc. held, through various controlled entities, a notifiable 8.87% of the voting rights of Vonovia SE on June 9, 2021, based on a share capital of EUR 575,257,327 (8.86% of the voting rights are attributed to shares and 0.005% of the voting rights are attributed to instruments pursuant to Section 38(1) of the German Securities Trading Act (*Wertpapierhandelsgesetz*)).

(3) Based on a notification received from JPMorgan Chase & Co. published on April 28, 2021, JPMorgan Chase & Co. held, through various controlled entities a notifiable share of the voting rights of Vonovia SE of 4.14% on April 23, 2021, based on a share capital of EUR 565,887,299 (2.82% of the voting rights are attributed to shares and 1.32% of the voting rights are attributed to instruments pursuant to Section 38(1) of the German Securities Trading Act (*Wertpapierhandelsgesetz*)).

(4) Based on a notification received from Stichting Pensioenfonds ABP published on July 2, 2019, Stichting Pensioenfonds ABP, through APG Asset Management N.V., held a notifiable 3.12% of the voting rights of Vonovia SE on June 28, 2019, based on a share capital of EUR 542,273,611. On November 21, 2021, APG Asset Management N.V. notified the Company of its holding of approximately 4.04%.

Key Managing Directors – The members of the Company's management board are Rolf Buch, Helene von Roeder, Arnd Fittkau and Daniel Riedl.

Statutory Auditors – The Company's statutory auditor is KPMG AG Wirtschaftsprüfungsgesellschaft, Tersteegenstraße 19-23, 40474 Düsseldorf, Germany.

B.2 What is the Key Financial Information regarding the Issuer?

The financial information contained in the following tables is extracted or derived from the audited consolidated financial statements of the Company as of and for the fiscal years ended December 31, 2020, December 31, 2019 and December 31, 2018 and the unaudited condensed interim consolidated financial statements of the Company as of and for the nine-month period ended September 30, 2021.

The audited consolidated financial statements as of and for the fiscal years ended December 31, 2020, December 31, 2019 and December 31, 2018 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (***IFRS***) and the additional requirements under Section 315e(1) of the German Commercial Code (*Handelsgesetzbuch*). The audited consolidated financial statements do not reflect any business activities of Deutsche Wohnen.

The unaudited condensed interim consolidated financial statements of the Company as of and for the nine-month period ended September 30, 2021 has been prepared in accordance with IFRS for interim financial reporting (IAS 34). Vonovia's balance sheet as of September 30, 2021 reflects Deutsche Wohnen, while the consolidated income statement and the consolidated statement of cash flows do not reflect Deutsche Wohnen's results of operation or cash flow.

Where financial data in the following tables is labelled "audited", this means that it has been extracted from the Company's audited consolidated financial statements. The label "unaudited" is used in the following tables to indicate financial data that has not been taken from the Company's audited consolidated financial statements but has either been taken from the unaudited condensed interim consolidated financial statements or from the Company's internal reporting system or has been calculated on the basis of financial information from the aforementioned sources.

Key Financial Information from the Income Statement

	Fiscal year ended December 31,			**Nine-month period ended September 30,**	
	2020	**2019**	**2018**	**2021**	**2020**
	(audited)			*(unaudited)*	
	(EUR in millions unless otherwise indicated)				
Income from property management	3,147.1	2,910.7	2,708.2	2,416.8	2,340.6
Earnings before tax	5,014.4	3,138.9	3,874.3	5,833.2	2,831.7
Profit for the period	3,340.0	1,294.3	2,402.8	3,869.1	1,891.6

	Fiscal year ended December 31,			Nine-month period ended September 30,	
	2020	2019	2018	2021	2020
Earnings per share (basic and diluted) in EUR	5.87	2.15	4.48	6.63	3.33

Key Financial Information from the Balance Sheet

	As of December 31,			As of September 30,
	2020	2019(*)	2018	2021
	(audited)			(unaudited)
	(EUR in millions)			
Total assets	62,417.4	56,476.1	49,387.6	108,656.9
Total equity	24,831.8	21,123.8	19,664.1	28,726.4

(*) Figures adjusted in the audited consolidated financial statements of the Company as of and for the fiscal years ended December 31, 2020 compared to the same line item stated in the audited consolidated financial statements of the Company as of and for the fiscal years ended December 31, 2019.

Key Financial Information from the Cash Flow Statement

	Fiscal year ended December 31,			Nine-months ended September 30,	
	2020	2019	2018	2021	2020
	(audited)			(unaudited)	
	(EUR in millions)				
Cash flow from operating activities	1,430.5	1,555.9	1,132.5	1,026.3	1,016.7
Cash flow from investing activities	(1,729.9)	(2,505.7)	(3,892.5)	(8,625.1)	(1,204.5)
Cash flow from financing activities	402.6	902.8	3,041.5	9,161.5	1,402.0
Influence of changes in foreign exchange rates on cash and cash equivalents	9.4	–	–	(1.6)	(1.3)
Net changes in cash and cash equivalents	112.6	(47.0)	281.5	1,560.0	1,212.9

Key Alternative Performance Measures

	For the fiscal year ended December 31,			For the nine-month period ended September 30,	
	2020	2019	2018	2021	2020
	(audited, unless otherwise indicated)			(unaudited)	
	(EUR in millions unless otherwise indicated)				
Adjusted EBITDA Total(1)	1,909.8	1,760.1	1,554.8	1,540.9	1,432.5
Group FFO(2) (unaudited)	1,348.2	1,218.6	1,132.0	1,147.3	1,015.9
EPRA NTA per share in EUR(3) (unaudited)	62.71	54.88(4)	–(5)	70.26	62.71

(1) Adjusted EBITDA Total is the result before interest, taxes, depreciation and amortization (including income from other operational investments and intragroup profits) adjusted for effects that do not relate to the period or recur irregularly or that are atypical for business operation, and for net income from fair value adjustments to investment properties.

(2) Group funds from operations (***Group FFO***) reflects the recurring earnings from the operating business. Group FFO is the result of Adjusted EBITDA Total minus FFO interest expense, current income taxes FFO and consolidation.

(3) EPRA net tangible assets (***EPRA NTA***), is based on the assumption that properties are purchased and sold and calculated in accordance with the best practice recommendations of the European Public Real Estate Association (***EPRA***). EPRA NTA is equal to the total equity attributable to Vonovia's shareholders plus deferred tax in relation to fair value gains of investment properties (share for core and hold portfolio (*i.e.* the portfolio which is not intended to sell)), fair value of financial instruments (adjusted for effects from cross currency swaps) and real estate transfer tax and other purchasers' costs (share for core and hold portfolio (*i.e.* the portfolio which is not intended to sell)) less goodwill and intangible assets. The EPRA NTA per share is calculated by dividing the EPRA NTA with the number of outstanding shares in the Company carrying dividend rights on the relevant reporting date.

(4) EPRA NTA per share was not reported as an alternative performance measure as at the specified reporting date and has been retroactively calculated for comparison purposes.

(5) EPRA NTA per share was not reported as an alternative performance measure as at the specified reporting date.

Key Pro-forma Financial Information

The summary pro forma financial information is not necessarily indicative of the financial position and results of operations that would have been realized had the Deutsche Wohnen Transaction been completed on the date indicated.

	January 1, 2020 to December 31, 2020				
	Historical Financial Information				
	Vonovia	**Adjusted Deutsche Wohnen**	**Totals**	**Pro forma adjustment**	**Pro forma consolidated income statement**
	(audited)	*(unaudited)*			
	(EUR in millions unless otherwise indicated)				
Income from property management	3,147.1	1,483.8	4,630.9	–	4,630.9
Earnings before tax	5,014.4	2,269.4	7,283.8	137.6	7,421.4
Profit for the period	3,340.0	1,570.7	4,910.7	56.1	4,966.7
Earnings per share (basic and diluted) in EUR	5.87	–	–	–	6.14

	January 1, 2021 to September 30, 2021				
	Historical Financial Information				
	Vonovia	**Adjusted Deutsche Wohnen**	**Totals**	**Pro forma adjustment**	**Pro forma consolidated income statement**
	(unaudited)				
	(EUR in millions unless otherwise indicated)				
Income from property management	2,416.8	1,114.9	3,531.7	–	3,531.7
Earnings before tax	5,833.2	1,464.3	7,297.6	470.1	7,767.7
Profit for the period	3,869.1	832.9	4,702.1	485.1	5,187.2
Earnings per share (basic and diluted) in EUR	6.63	–	–	–	6.36

B.3 What are the Key Risks that are Specific to the Issuer?

- Vonovia is dependent on economic developments in the regional sub-markets where its properties are located. The Group is dependent on its ability to adapt its housing activities to these developments.
- Vonovia depends on macroeconomic developments that impact, in particular, economic performance, interest rate levels and levels of inflation, which in turn could negatively affect the German, Swedish and Austrian real estate markets and the valuation of Vonovia's real estate portfolio.
- If Vonovia fails to maintain its properties in a condition that satisfies technical and regulatory requirements as well as market demands, its properties could pose a risk to health and safety of its tenants, result in rent reductions or could also have a negative impact on the ability to attract new tenants.
- The integration of Deutsche Wohnen may neither be successful nor proceed as planned and may involve higher costs than expected or require more resources than initially planned.
- The synergies and economies of scale expected by the Company's management in connection with the integration of Deutsche Wohnen may not be realized, or only realized to a lesser extent, or achieving these may cost more than planned.
- Real estate valuation is inherently subjective, subject to uncertainties and based on assumptions which may prove to be inaccurate or affected by factors outside the Group's or an external valuer's control and Vonovia may be required to adjust the current fair values of its investment properties and the values assigned to the appraised properties may not correspond to the achievable sales prices.
- If interest rates change, the market conditions deteriorate or the Group's rent levels or vacancy rates develop unfavorably, Vonovia may be required to adjust the current fair values of its investment properties and to recognize significant losses.
- The Group has significant outstanding financial indebtedness, resulting from the issuance of debt instruments and loan agreements, secured by the Group's properties. If a Group company breaches financial covenants or other provisions in existing or future bonds, notes, other financial instruments or loan agreements, security trustees or creditors may seize or realize significant collateral furnished by the Group which would result in the loss of significant assets by the Group.
- Vonovia operates in Sweden, where the currency is the Swedish krona (***SEK***). As Vonovia's reporting currency is the Euro, any change in the EUR/SEK foreign exchange rate has a direct effect on Vonovia's results of operations and assets and liabilities when amounts are translated into Euro for reporting purposes. Unfavourable changes in the EUR/SEK exchange rate may, therefore, have material adverse effects on the results of the Group.
- Vonovia's portfolio predominantly comprises residential units in relation to which the Group's ability to increase rents is limited by applicable law and such limitations could be further tightened in the future.
- The introduction of a CO_2 levy in Germany may have a negative effect on the Group. Currently, this levy can be passed on to the tenant in full, but it cannot be ruled out that attempts will be made to shift costs related with the CO_2 levy to landlords. Shifting some or all of the relevant cost to landlords would result in a significant financial burden for the Group.

- Vonovia is subject to the general tax environment in the countries where it operates, in particular Germany, Austria and Sweden. The Group's tax burden in relation to the future tax treatment of dividend payments, current or future tax assessment notices, tax audits or court proceedings may increase due to changes in tax laws or changes in their application or interpretation.
- A transfer of 90% or more of the shares in the Company or in a subsidiary within a ten-year period, or the unification of 90% or more of the shares in a subsidiary, may trigger German real estate transfer tax. It cannot be ruled out that the tax authorities and fiscal courts will not share Vonovia's view on the tax treatment of historic acquisitions, which may result in significant tax burdens.

C. Key Information on the Securities

C.1 What are the Main Features of the Securities?

The New Shares are no-par value (*Stückaktien*) registered (*Namensaktien*) ordinary shares, each with a notional value of EUR 1.00 in the Company's share capital.

Number and Nature of Shares – As of the date of this Prospectus, the share capital of the Company amounts to EUR 575,257,327 and is divided into 575,257,327 shares. The share capital has been fully paid up. All shares of the Company are no-par value (*Stückaktien*) registered (*Namensaktien*) ordinary shares, each such share representing a notional value of EUR 1.00.

ISIN and Denomination – The ISIN of the New Shares is DE000A1ML7J1 and the New Shares are denominated in Euros. The ISIN of the subscription rights is DE000A3MQB30.

Rights attached to the Shares, Relative Seniority and Transferability – The New Shares carry full dividend rights as from January 1, 2021. Each New Share carries one vote at the Company's shareholder meeting. There are no restrictions on voting rights. The Company's shares are subordinated to all other securities and claims in case of an insolvency of the Company and freely transferable in accordance with the legal requirements for ordinary registered shares.

Dividend Policy – Vonovia's dividend policy targets a pay-out ratio of approximately 70% of its Group FFO. Following the Deutsche Wohnen Transaction, Vonovia intends, for the fiscal year 2021 only, to base its dividend payout on Vonovia's stand-alone Group FFO plus an assumed dividend Vonovia would have received from its 87.6% Deutsche Wohnen stake if Deutsche Wohnen would have paid dividends in line with its historic pay-out ratio (*i.e.* 65% of expected FFO I for 2021). For the fiscal year 2022 and onwards, Vonovia's full-year financials will reflect Deutsche Wohnen for the entire fiscal year and Vonovia intends to resume its dividend policy of approximately 70% payout ratio of reported Group FFO.

C.2 Where will the Securities be traded?

The New Shares are expected to be admitted to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) and on the regulated market of the Luxembourg Stock Exchange (*Bourse de Luxembourg*).

C.3 What are the Key Risks that are Specific to the Securities?

- Subscription rights are subject to market risk which may result in no trading market developing for the subscription rights or, if a market develops, in increased volatility for the subscription rights compared to the shares of the Company.
- Failure by a shareholder of the Company to exercise allocated subscription rights for the New Shares during the applicable exercise period will result in a dilution of such shareholder's percentage ownership of the shares of the Company.

D. Key Information on the Offer of the Securities and the Admission to Trading

D.1 Under which Conditions and Timetable can I invest in this Security?

Scope of the Offering – The New Shares will result from a capital increase against contributions in cash with indirect subscription rights (*mittelbare Bezugsrechte*) of existing shareholders pursuant to Section 186(5) of the German Stock Corporation Act (*Aktiengesetz*). Exercising the authorization pursuant to Section 5 of the Articles of Association (authorized capital created by the Company's annual general meeting on April 16, 2021), the Management Board resolved on November 21, 2021, with approval of the Supervisory Board on November 21, 2021, to increase the share capital from EUR 575,257,327.00 by EUR 201,340,062.00 to EUR 776,597,389.00 by issuing 201,340,062 New Shares. The New Shares will be offered to existing shareholders at a subscription ratio of 7:20, *i.e.* 7 New Shares may be acquired at the subscription price of EUR 40.00 per New Share for 20 existing shares (the ***Subscription Offer***). Subscription rights which are not exercised during the period from and including November 24, 2021, up to and including December 7, 2021 (the ***Subscription Period***) will lapse and be of no value. No compensation will be payable for subscription rights that are not exercised. In order to facilitate an even subscription ratio, one of the existing shareholders has waived its subscription rights for 7 New Shares.

The Subscription Offer will include (i) a public offering in Germany and Luxembourg, (ii) private placements in certain jurisdictions outside Germany, Luxembourg and the United States of America (***United States***) in offshore transactions in reliance on Regulation S under the U.S. Securities Act of 1933, as amended (the ***Securities Act***), and (iii) private placements in the United States pursuant to an exemption from registration under the Securities Act to qualified institutional buyers as defined in Rule 144A under the Securities Act. The New Shares and the subscription rights have not been and will not be registered under the Securities Act, or the securities laws of any other jurisdiction of the United States, its territories and possessions, any state of the United States or the District of Columbia, and may not be offered, sold or otherwise transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction in the United States.

Any New Shares that are not subscribed for in the Subscription Offer (the ***Rump Shares***) will be offered by the Joint Bookrunners in a rump placement by way of private placements (i) to selected qualified investors in certain jurisdictions outside the United States in offshore transactions in reliance on Regulation S under the Securities Act, and (ii) in the United States to qualified institutional buyers in reliance on Rule 144A under the Securities Act (the ***Rump Placement*** and, together with the Subscription Offer, the ***Offering***).

The Company and the Joint Bookrunners entered into an underwriting agreement dated November 21, 2021 (the ***Underwriting Agreement***), which provides for a firm underwriting of the New Shares not sold in the Offering by the Joint Bookrunners. The Offering is subject to, among other things, registration of the implementation of the capital increase in the commercial register of the Company, which is expected to occur on December 3, 2021.

On November 21, 2021, certain funds managed by APG Asset Management N.V. (***APG***) and Norges Bank, the Central Bank of Norway, (***Norges Bank***) have irrevocably undertaken towards the Company as well as towards the Joint Bookrunners as third party beneficiaries to exercise in full the subscription rights to which they are each entitled in accordance with the capital increase. To date, APG holds approximately 4.04% of the Company's share capital and Norges Bank holds approximately 11.14% of the Company's share capital.

Expected Timetable of the Offering – The following is the expected timetable of the Offering, which may be extended or shortened:

November 22, 2021	Approval of this Prospectus by BaFin Notification of the approved prospectus to the *Commission de Surveillance du Secteur Financier* in Luxembourg by BaFin Publication of this Prospectus on the Company's website
November 23, 2021	Publication of the Subscription Offer in the German Federal Gazette (*Bundesanzeiger*)
November 24, 2021	Commencement of the Subscription Period Commencement of subscription rights trading "Ex rights" trading shares
November 26, 2021	Credit of the subscription rights by the depositary banks to the depositary accounts of the Company's shareholders based on their holdings in the Company's shares as of 6.00 p.m. CET on November 25, 2021 (Record date)
December 2, 2021 at 12.00 (noon) CET	End of subscription rights trading
December 3, 2021............................	Expected registration of the implementation of the capital increase from authorized capital with the commercial register (*Handelsregister*)
December 7, 2021 at 12.00 (midnight) CET	End of the Subscription Period Last day for payment of the subscription price
December 8, 2021............................	Announcement of the results of the Subscription Offer on the Company's website Placement of the Rump Shares Announcement of the final results of the Offering on the Company's website
December 9, 2021............................	Admission decision to be issued by the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the Luxembourg Stock Exchange (*Bourse de Luxembourg*) Publication of the admission in the German Federal Gazette (*Bundesanzeiger*) and on the website of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (http://www.deutsche-boerse.com)
December 13, 2021..........................	Commencement of trading in the New Shares by inclusion in the Company's current stock quotation on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the sub-segment thereof with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and on the regulated market of the Luxembourg Stock Exchange (*Bourse de Luxembourg*) Book-entry delivery of the New Shares subscribed for during the Subscription Period Book-entry delivery of the Rump Shares placed in the Rump Placement

Trading in Subscription Rights – The subscription rights are freely transferable and can be traded during the period from and including November 24, 2021 up to and including December 2, 2021, 12.00 (noon) CET on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (Xetra and Xetra Specialist). The ISIN of the subscription rights is DE000A3MQB30.

Dilution – Shareholders who fully exercise their subscription rights for the New Shares will maintain their nearly unchanged percentage of ownership of the Company's share capital and voting rights following the implementation of the capital increase. The shareholders' percentage ownership in the Company's share capital and its voting rights will be diluted by 25.93% per existing share assuming such shareholder does not exercise any of its subscription rights.

The net book value of the shareholders' equity, recorded as line item "total equity attributable to Vonovia shareholders" in the unaudited condensed interim consolidated financial statements of the Company as of and for the nine-month period ended September 30, 2021, per share would decrease by EUR 1.74 per share or 3.79% for the existing shareholders (calculated on the basis of the number of shares issued after the implementation of the Offering compared to the number of shares prior to the implementation of the Offering). For purchasers of New Shares at the subscription price of EUR 40.00, this entails an increase of EUR 4.31 per share or 10.77% against the net book value of the shareholders' equity of the Company per share after the implementation of the Offering.

Total Expenses – Assuming a full implementation of the capital increase at a subscription price of EUR 40.00, the Company expects to incur fees and other Offering-related expenses in the amount of approximately EUR 136.0 million. No expenses will be charged to investors by the Company or the Joint Bookrunners. Investors may, however, have to bear customary transaction and handling fees charged by their account-keeping financial institutions.

D.2 Who is the Offeror and the Person asking for Admission to Trading?

The New Shares will be offered by the Company, BofA Securities Europe SA, 51 rue La Boétie, 75008 Paris, France, incorporated in and operating under the laws of France, Morgan Stanley Europe SE, Große Gallusstraße 18, 60312 Frankfurt am Main, Germany, incorporated in and operating under the laws of Germany, Société Générale, 29 boulevard Haussmann, 75009 Paris, France, incorporated in and operating under the laws of France, BNP PARIBAS, 16, boulevard des Italiens, 75009 Paris, France incorporated in and operating under the laws of France, Citigroup Global Markets Europe AG, Reuterweg 16, 60323 Frankfurt am Main, Germany, incorporated in and operating under the laws of Germany, COMMERZBANK Aktiengesellschaft, Kaiserstraße 16 (Kaiserplatz), 60311 Frankfurt am Main, Germany, incorporated in and operating under the laws of Germany, Deutsche Bank Aktiengesellschaft, Taunusanlage 12, 60325 Frankfurt am Main, Germany, incorporated in and operating under the laws of Germany, Goldman Sachs Bank Europe SE, Marienturm, Taunusanlage 9-10, 60329 Frankfurt am Main, Germany, incorporated in and operating under the laws of Germany, ING Bank N.V., Bijlmerdreef 106, 1102 CT Amsterdam, the Netherlands, incorporated in and operating under the laws of the Netherlands, Intesa Sanpaolo S.p.A., Piazza S. Carlo 156, 10121 Turin, Italy, incorporated in and operating under the laws of Italy, J.P. Morgan AG, Taunustor 1 (TaunusTurm), 60310 Frankfurt am Main, Germany, incorporated in and operating under the laws of Germany, Landesbank Baden-Württemberg, Am Hauptbahnhof 2, 70173 Stuttgart, Germany, incorporated in and operating under the laws of Germany, UBS AG London Branch, 5 Broadgate, London EC2M 2QS, United Kingdom, incorporated in and operating under the laws of the United Kingdom, and UniCredit Bank AG, Arabellastrasse 12, 81925 Munich, Germany, incorporated in and operating under the laws of Germany.

The Company will apply for admission of the New Shares to trading together with Morgan Stanley, who is acting as listing agent.

D.3 Why is this Prospectus being Drafted?

Reasons for the Offering, Estimated Net Amount and Use of Proceeds – With the Offering, the Company aims to repay amounts drawn under the Bridge Facilities Agreement (as defined below) in connection with the Deutsche Wohnen Transaction. Assuming a full implementation of the capital increase at a subscription price of EUR 40.00, the net proceeds of the Company from the Offering are expected to amount to approximately EUR 7,918 million. The expected net proceeds of EUR 7,918 million from the Offering are intended to be used to reduce the aggregate amount drawn under the Bridge Facilities Agreement from EUR 11.45 billion to EUR 3.53 billion.

Underwriting Agreement – The Company and the Joint Bookrunners entered into the Underwriting Agreement dated November 21, 2021, which provides for a firm underwriting of the New Shares not sold in the Offering by the Joint Bookrunners. The Offering is subject to, among other things, registration of the implementation of the capital increase in the commercial register of the Company, which is expected to occur on December 3, 2021.

Material Conflicts of the Interest Pertaining to the Offer or the Listing – In connection with the Offering and the admission to trading, the Joint Bookrunners have a contractual relationship with the Company. The Joint Bookrunners are assisting the Company with the transaction and its structuring and execution. In addition, UniCredit Bank AG is appointed to act as subscription agent (*Hauptbezugsstelle*), Deutsche Bank AG is appointed to act as paying agent and Morgan Stanley is appointed to act as listing agent. Upon execution of the transaction, the Joint Bookrunners will receive fees. As a result, the Joint Bookrunners have a financial interest in the successful completion of the Offering.

Each of the Joint Bookrunners and their respective affiliates may have engaged in transactions with, and provided various commercial banking, investment banking, financial advisory transactions and services in the ordinary course of their business with the Company and/or its affiliates for which they would have received customary fees and commissions. In connection with financing the Deutsche Wohnen Transaction, the Joint Bookrunners (or certain of their respective affiliates) entered into the bridge facilities agreement in the amount of EUR 20.15 billion with Vonovia, which was subsequently cancelled in an amount of EUR 4.55 billion to amount to EUR 15.6 billion (the ***Bridge Facilities Agreement***). The Company intends to use the net proceeds from this Offering to repay amounts drawn under the Bridge Facilities Agreement in connection with the transaction, which will reduce amounts outstanding under the Bridge Facilities Agreement for which the Joint Bookrunners (or certain of their respective affiliates) receive interest payments. In addition, certain Joint Bookrunners (or certain of their respective affiliates) also acted as dealers in the placement of bonds issued by Vonovia in August 2021, the proceeds of which were used for refinancing part of the Bridge Facilities Agreement.

Because of these business relationships between the Joint Bookrunners, or any of their respective affiliates, and the Company, the interests of the Joint Bookrunners may not be aligned with those of the Company or the Company's other shareholders, which constitutes a potential conflict of interest.

Other than the interests described above, there are no material interests, in particular no material conflicts of interest, with respect to the Offering.

II. PROSPEKTZUSAMMENFASSUNG (GERMAN TRANSLATION OF THE SUMMARY OF THE PROSPECTUS)

A. Einleitung mit Warnhinweisen

Dieser Prospekt (der ***Prospekt***) bezieht sich auf 201.340.062 neue auf den Namen lautende Stückaktien ohne Nennwert einer Kapitalerhöhung gegen Bareinlage aus genehmigtem Kapital mit mittelbaren Bezugsrechten, beschlossen vom Vorstand der Vonovia SE am 21. November 2021 mit Zustimmung des Aufsichtsrats der Vonovia SE am 21. November 2021 (die ***Neuen Aktien***), der Vonovia SE (die ***Gesellschaft*** und zusammen mit ihren konsolidierten Tochtergesellschaften ***Vonovia*** oder die ***Gruppe,*** die ab dem Erstkonsolidierungstag am 30. September 2021 die Deutsche Wohnen SE (Deutsche Wohnen SE zusammen mit ihren konsolidierten Tochtergesellschaften ***Deutsche Wohnen***) umfasst. Verweise in diesem Prospekt auf Vonovia oder die Gruppe zu Umständen, die an einem Tag vor dem 30. September 2021 aufgetreten sind, schließen die Deutsche Wohnen nicht mit ein. Die Geschäftsanschrift der Gesellschaft ist Universitätsstraße 133, 44803 Bochum, Bundesrepublik Deutschland (***Deutschland***) (Telefon: + 49 234 314-0; Webseite: www.vonovia.de), Rechtsträgerkennung (***LEI***): 5299005A2ZEP6AP7KM81. Die internationale Wertpapier-Identifikationsnummer (*International Securities Identification Number*, ***ISIN***) der Aktien der Gesellschaft ist DE000A1ML7J1.

Die Neuen Aktien werden von der Gesellschaft, der BofA Securities Europe SA, 51 rue La Boétie, 75008 Paris, Frankreich, LEI 549300FH0WJAPEHTIQ77 (***BofA Securities***), der Morgan Stanley Europe SE, Große Gallusstraße 18, 60312 Frankfurt am Main, Deutschland, LEI 54930056FHWP7GIWYY08 (***Morgan Stanley***) und der Société Générale, 29 boulevard Haussmann, 75009 Paris, Frankreich, LEI O2RNE8IBXP4R0TD8PU41 (***Société Générale*** und zusammen mit BofA Securities und Morgan Stanley die ***Joint Global Coordinators***) sowie von BNP PARIBAS, 16, boulevard des Italiens, 75009 Paris, Frankreich, LEI R0MUWSFPU8MPRO8K5P83 (***BNP Paribas***), Citigroup Global Markets Europe AG, Reuterweg 16, 60323 Frankfurt am Main, Deutschland, LEI 6TJCK1B7E7UTXP528Y04 (***Citigroup***), COMMERZBANK Aktiengesellschaft, Kaiserstraße 16 (Kaiserplatz), 60311 Frankfurt am Main, Deutschland, LEI 851WYGNLUQLFZBSYGB56 (***Commerzbank***), Deutsche Bank Aktiengesellschaft, Taunusanlage 12, 60325 Frankfurt am Main, Deutschland, LEI 7LTWFZYICNSX8D621K86 (***Deutsche Bank***), Goldman Sachs Bank Europe SE, Marienturm, Taunusanlage 9-10, 60329 Frankfurt am Main, Deutschland, LEI 8IBZUGJ7JPLH368JE346 (***GS***), ING Bank N.V., Bijlmerdreef 106, 1102 CT Amsterdam, die Niederlande, LEI 3TK20IVIUJ8J3ZU0QE75 (***ING***), Intesa Sanpaolo S.p.A., Piazza S. Carlo 156, 10121 Turin, Italien, LEI 2W8N8UU78PMDQKZENC08 (***IMI-Intesa Sanpaolo***), J.P. Morgan AG, Taunustor 1 (TaunusTurm), 60310 Frankfurt am Main, Deutschland, LEI 549300ZK53CNGEEI6A29 (***J.P. Morgan***), Landesbank Baden-Württemberg, Am Hauptbahnhof 2, 70173 Stuttgart, Deutschland, LEI B81CK4ESI35472RHJ606 (***LBBW***), UBS AG London Branch, 5 Broadgate, London EC2M 2QS, Vereinigtes Königreich, LEI BFM8T61CT2L1QCEMIK50 (***UBS***), and UniCredit Bank AG, Arabellastrasse 12, 81925 München, Deutschland, LEI 2ZCNRR8UK83OBTEK2170 (***UniCredit*** und, zusammen mit BNP Paribas, Citigroup, Commerzbank, Deutsche Bank, GS, ING, IMI-Intesa Sanpaolo, J.P. Morgan, LBBW, UBS und den Joint Global Coordinators, die ***Konsortialbanken***) angeboten.

Die Bundesanstalt für Finanzdienstleistungsaufsicht (***BaFin***), Marie-Curie-Straße 24-28, 60439 Frankfurt am Main, Deutschland, www.bafin.de, hat diesen Prospekt als zuständige Behörde gemäß der Verordnung (EU) 2017/1129 des Europäischen Parlaments und des Rates vom 14. Juni 2017 über den Prospekt, der beim öffentlichen Angebot von Wertpapieren oder bei deren Zulassung zum Handel an einem geregelten Markt zu veröffentlichen ist und zur Aufhebung der Richtlinie 2003/71/EG (in der jeweils gültigen Fassung) am 22. November 2021 gebilligt.

Diese Zusammenfassung sollte als Einleitung zu diesem Prospekt verstanden werden. Anleger sollten sich bei der Entscheidung, in die Neuen Aktien zu investieren, auf diesen Prospekt als Ganzes stützen. Anleger, die in die Neuen Aktien investieren, könnten das gesamte angelegte Kapital oder einen Teil davon verlieren. Für den Fall, dass vor einem Gericht Ansprüche aufgrund der in diesem Prospekt enthaltenen Informationen geltend gemacht werden, könnte der als Kläger auftretende Anleger nach nationalem Recht die Kosten für die Übersetzung dieses Prospekts vor Prozessbeginn zu tragen haben. Nur diejenigen Personen haften zivilrechtlich, die diese Zusammenfassung samt etwaiger Übersetzungen vorgelegt und übermittelt haben. Dies gilt jedoch nur für den Fall, dass diese Zusammenfassung, wenn sie zusammen mit den anderen Teilen dieses Prospekts gelesen wird, irreführend, unrichtig oder widersprüchlich ist oder dass sie, wenn sie zusammen mit den anderen Teilen dieses Prospekts gelesen wird, nicht die Basisinformationen vermittelt, die in Bezug auf Anlagen in die Neuen Aktien für die Anleger eine Entscheidungshilfe darstellen würden.

B. Basisinformationen über den Emittenten

B.1 Wer ist der Emittent der Wertpapiere?

Eintragung und geltendes Recht – Die Gesellschaft ist eine Europäische Gesellschaft (*Societas Europaea*), die europäischem und deutschem Recht unterliegt, mit Sitz in Bochum, Deutschland, und ist im Handelsregister des Amtsgerichts Bochum unter HRB 16879 eingetragen. Die juristische Bezeichnung der Gesellschaft lautet "Vonovia SE", ihre Geschäftsbezeichnung ist "Vonovia" und ihre LEI ist 5299005A2ZEP6AP7KM81.

Haupttätigkeiten – Das Geschäftsmodell der Vonovia basiert auf der Vermietung von hochwertigem, modernem und vor allem bezahlbarem Wohnraum, der Entwicklung und dem Bau neuer Wohnungen für den Eigenbestand wie für den Verkauf an Dritte, regelmäßigen und nachhaltigen Verkäufen einzelner Eigentumswohnungen sowie der Erbringung umfassender Dienstleistungen in Bezug auf Wohnraum und Wohnumfeld. Zu diesen wohnungsnahen Dienstleistungen gehören unter anderem die vom eigenen Wohnumfeld Service und Handwerker Service der Vonovia erbrachten Dienstleistungen, wie Reparatur- und Instandhaltungsarbeiten. Ferner zählen dazu ergänzende Dienstleistungen wie die Versorgung mit Kabelfernsehen, Dienstleistungen im Energiebereich, automatisierte Zählerablesungen und die seniorengerechte Modernisierung von Wohnungen sowie ein Großteil der im Rahmen der energieeffizienten Modernisierung einzelner Gebäude und ganzer Quartiere erbrachten Dienstleistungen.

Am 23. August 2021 gab die Vonovia ein neuerliches öffentliches Übernahmeangebot an alle Aktionäre der Deutsche Wohnen, einer börsennotierten Immobiliengesellschaft, gegen Zahlung eines Geldbetrages von EUR 53,00 je Aktie der Deutsche Wohnen ab, dessen Ergebnis am 26. Oktober 2021 bekannt gegeben wurde (die ***Deutsche Wohnen Transaktion***). Die Vonovia erlangte die Kontrolle über die Deutsche Wohnen am 30. September 2021, der damit als der erste Tag der Konsolidierung gilt. Die Deutsche Wohnen Transaktion wurde letztlich am 2. November 2021 vollzogen. Zum Zeitpunkt dieses Prospekts hält Vonovia 87,6% der Stimmrechte der Deutsche Wohnen.

Zum 30. September 2021 hielt und verwaltete Vonovia vor Durchführung der Deutsche Wohnen Transaktion einen Wohnungsbestand (das ***Vonovia Portfolio***) von rund 353.700 Wohneinheiten in fast allen deutschen Großstädten und Wachstumsregionen. Darüber hinaus umfasste das Vonovia Portfolio 38.500 Wohneinheiten in Schweden und rund 21.600 Wohneinheiten in Österreich. Zum 30. September 2021 umfasste das Immobilienportfolio der Deutsche Wohnen (das ***Deutsche Wohnen Portfolio***) rund 157.600 Wohn- und Gewerbeeinheiten sowie Pflegeimmobilien mit rund 9.270 Pflegeplätzen und 1.030 Plätzen für betreutes Wohnen.

Zum 30. September 2021 belief sich der Zeitwert des Vonovia Portfolios und des Deutsche Wohnen Portfolios auf EUR 95,4 Mrd. Die Vonovia verwaltete zum 30. September 2021 neben eigenen Wohnungen 71.427 Wohnungen für Dritte. Damit ist die Vonovia nach eigener Einschätzung eines der führenden Wohnimmobilienunternehmen in Deutschland, Schweden und Österreich, allerdings aufgrund der starken Fragmentierung des Wohnimmobilienmarkts mit einem sehr geringen Marktanteil von rund 1,5% in Deutschland. Mit Wirkung zum 18. September 2020 wurde die Vonovia als aktuell einziger Immobilienwert und erster Wohnimmobilienwert in den europäischen Blue-Chip-Aktienindex EURO STOXX 50 aufgenommen.

Hauptanteilseigner – Nach Kenntnis der Gesellschaft, insbesondere auf Grundlage der von der Gesellschaft bis zum Datum dieses Prospekts erhaltenen Stimmrechtsmitteilungen, halten folgende Aktionäre unmittelbar oder mittelbar mehr als 3% der auf den Namen lautende Stückaktien ohne Nennwert und der Stimmrechte der Gesellschaft.

	Tatsächliche (unmittelbare oder mittelbare) Beteiligung an Vonovia SE (in %)
Aktionäre	**Stimmrechtsanteil**
Finanzministerium für den Staat Norwegen (Norges Bank)[(1)]	11,14
BlackRock, Inc.[(2)]	8,87
JPMorgan Chase & Co. [(3)]	4,07
Stichting Pensioenfonds ABP[(4)]	4,04
Summe	**28,12**

(1) Aufgrund einer von dem Finanzministerium für den Staat Norwegen erhaltenen Mitteilung, die am 25. Juni 2021 veröffentlicht wurde, hielt das Finanzministerium für den Staat Norwegen über die Norges Bank am 24. Juni 2021 einen meldepflichtigen Anteil an den Stimmrechten der Vonovia SE von 10,12% auf Basis eines Grundkapitals von EUR 575.257.327. Am 21. November 2021 informierte die Norges Bank die Gesellschaft darüber, dass sie einen Anteil an den Stimmrechten von 11,14% hält.

(2) Aufgrund einer von der BlackRock, Inc. erhaltenen Mitteilung, die am 15. Juni 2021 veröffentlicht wurde, hielt die BlackRock, Inc. über verschiedene kontrollierte Unternehmen am 9. Juni 2021 einen meldepflichtigen Anteil an den Stimmrechten der Vonovia SE von 8,87 % auf Basis eines Grundkapitals von EUR 575.257.327 (wobei 8,86% der Stimmrechte auf Aktien und 0,005% der Stimmrechte auf Instrumente nach § 38 Abs. 1 WpHG entfielen).

(3) Aufgrund einer von der JPMorgan Chase & Co. erhaltenen Mitteilung, die am 28. April 2021 veröffentlicht wurde, hielt die JP Morgan Chase & Co. über verschiedene kontrollierte Unternehmen am 23. April 2021 einen meldepflichtigen Anteil an den Stimmrechten der Vonovia SE von 4,14% auf Basis eines Grundkapitals von EUR 565.887.299 (wobei 2,82% der Stimmrechte auf Aktien und 1,32% der Stimmrechte auf Instrumente nach § 38 Abs. 1 WpHG entfielen).

(4) Aufgrund einer von Stichting Pensioenfonds ABP erhaltenen Mitteilung, die am 2. Juli 2019 veröffentlicht wurde, hielt Stichting Pensioenfonds ABP über APG Asset Management N.V. am 28. Juni 2019 einen meldepflichtigen Anteil an den Stimmrechten der Vonovia SE von 3,12% auf Basis eines Grundkapitals von EUR 542,273,611. Am 21. November 2021 informierte APG Asset Management N.V. die Gesellschaft darüber, dass sie einen Anteil an den Stimmrechten von 4,04% hält.

Hauptgeschäftsführer – Die Mitglieder des Vorstands der Gesellschaft sind Rolf Buch, Helene von Roeder, Arnd Fittkau und Daniel Riedl.

Abschlussprüfer – Der Abschlussprüfer der Gesellschaft ist die KPMG AG Wirtschaftsprüfungsgesellschaft, Tersteegenstraße 19-23, 40474 Düsseldorf, Deutschland.

B.2 Welches sind die wesentlichen Finanzinformationen über den Emittenten?

Die in den folgenden Tabellen enthaltenen Finanzinformationen wurden den geprüften Konzernabschlüssen der Gesellschaft für die zum 31. Dezember 2020, 31. Dezember 2019 und 31. Dezember 2018 endenden Geschäftsjahre und dem ungeprüften verkürzten Konzernzwischenabschluss der Gesellschaft für den zum 30. September 2021 endenden Neunmonatszeitraum entnommen oder daraus abgeleitet.

Die geprüften Konzernabschlüsse für die zum 31. Dezember 2020, 31. Dezember 2019 und 31. Dezember 2018 endenden Geschäftsjahre wurde in Übereinstimmung mit den International Financial Reporting Standards, wie von der Europäischen Union übernommen (***IFRS***), unter Berücksichtigung der zusätzlichen Anforderungen nach § 315e Abs. 1 Handelsgesetzbuch erstellt. Die geprüften Konzernabschlüsse spiegeln keine Geschäftsaktivitäten der Deutsche Wohnen wider.

Der ungeprüfte verkürzte Konzernzwischenabschluss der Gesellschaft für dem zum 30. September 2021 endenden Neunmonatszeitraum wurde in Übereinstimmung mit den anwendbaren IFRS-Vorschriften für Zwischenberichterstattung (IAS 34) erstellt. Die Bilanz von Vonovia zum 30. September 2021 spiegelt die Deutsche Wohnen wider, während die Konzern-Gewinn- und Verlustrechnung und die Konzern-Kapitalflussrechnung nicht die Ertragslage bzw. den Kapitalfluss der Deutschen Wohnen widerspiegeln.

Soweit in den folgenden Tabellen enthaltene Finanzinformationen als "geprüft" gekennzeichnet sind, wurden sie dem geprüften Konzernabschluss der Gesellschaft entnommen. Die Bezeichnung "ungeprüft" wird in den folgenden Tabellen zur Kennzeichnung von Finanzinformationen verwendet, die nicht dem geprüften Konzernabschluss der Gesellschaft, sondern entweder dem ungeprüften verkürzten Konzernzwischenabschluss oder dem internen Berichtswesen der Gesellschaft entnommen oder auf der Grundlage von Finanzinformationen aus den vorgenannten Quellen errechnet wurden.

Wesentliche Finanzinformationen aus der Gewinn- und Verlustrechnung

	Geschäftsjahr zum 31. Dezember			Neunmonatszeitraum zum 30. September	
	2020	**2019**	**2018**	**2021**	**2020**
	(geprüft)			*(ungeprüft)*	
	(in Mio. EUR, soweit nicht anders angegeben)				
Erlöse aus der Immobilienbewirtschaftung	3.147,1	2.910,7	2.708,2	2.416,8	2.340,6
Ergebnis vor Steuern	5.014,4	3.138,9	3.874,3	5.833,2	2.831,7
Periodenergebnis	3.340,0	1.294,3	2.402,8	3.869,1	1.891,6
Ergebnis je Aktie (verwässert und unverwässert) in EUR	5,87	2,15	4,48	6,63	3,33

Wesentliche Finanzinformationen aus der Bilanz

	Zum 31. Dezember			Zum 30. September
	2020	**2019(*)**	**2018**	**2021**
	(geprüft)		*(ungeprüft)*	
	(in Mio. EUR)			
Summe Aktiva	62.417,4	56.476,1	49.387,6	108.656,9
Eigenkapital	24.831,8	21.123,8	19.664,1	28.726,4

(*) Zahlen angepasst im geprüften Konzernjahresabschluss der Gesellschaft vom und für das zum 31. Dezember 2020 endende Geschäftsjahr, verglichen mit demselben Posten im geprüften Jahresabschluss der Gesellschaft vom und für das zum 31. Dezember 2019 endende Geschäftsjahr.

Wesentliche Finanzinformationen aus der Kapitalflussrechnung

	Geschäftsjahr zum 31. Dezember			Neunmonatszeitraum zum 30. September	
	2020	**2019**	**2018**	**2021**	**2020**
	(geprüft)			*(ungeprüft)*	
	(in Mio. EUR)				
Cashflow aus der betrieblichen Tätigkeit	1.430,5	1.555,9	1.132,5	1.026,3	1.016,7
Cashflow aus der Investitionstätigkeit	(1.729,9)	(2.505,7)	(3.892,5)	(8.625,1)	(1.204,5)
Cashflow aus der Finanzierungstätigkeit	402,6	902,8	3.041,5	9.161,5	1.402,0
Einfluss von Wechselkursänderungen auf die Zahlungsmittel und Zahlungsmitteläquivalente	9,4	–	–	(1,6)	(1,3)
Nettoveränderung der Zahlungsmittel und Zahlungsmitteläquivalente	112,6	(47,0)	281,5	1.560,0	1.212,9

Wesentliche Alternative Leistungskennzahlen

	Für das Geschäftsjahr zum 31. Dezember			Für den Neunmonatszeitraum zum 30. September	
	2020	**2019**	**2018**	**2021**	**2020**
	(geprüft, soweit nicht anders angegeben)			*(ungeprüft)*	
	(in Mio. EUR, soweit nicht anders angegeben)				
Adjusted EBITDA Total(1)	1.909,8	1.760,1	1.554,8	1.540,9	1.432,5
Group FFO(2) (ungeprüft)	1.348,2	1.218,6	1.132,0	1.147,3	1.015,9
EPRA NTA pro Aktie in EUR(3)(ungeprüft)	62,71	54,88(4)	–(5)	70,26	62,71

(1) Das Adjusted EBITDA Total ist das Ergebnis vor Zinsen, Steuern, Wertminderungen, Zu- und Abschreibungen (einschließlich der Erträge aus übrigen operativen Beteiligungen und Zwischengewinn), das um periodenfremde, unregelmäßig wiederkehrende und betriebsatypische Sachverhalte und um den Nettoertrag aus Bewertungen für Investment Properties bereinigt wurde.

(2) Der Group Funds from Operations (***Group FFO***) stellt die nachhaltige Ertragskraft des operativen Geschäfts dar. Der Group FFO ist das Ergebnis aus Adjusted EBITDA Total abzüglich Zinsaufwand FFO, laufende Ertragsteuern FFO und Konsolidierung.

(3) Die Ermittlung des EPRA Net Tangible Assets (***EPRA NTA***) erfolgt unter der Annahme, dass An- und Verkäufe von Immobilien stattfinden und wird in Übereinstimmung mit den "Best Practice Recommendations" der European Public Real Estate Association (***EPRA***) berechnet. Der EPRA NTA entspricht dem Eigenkapital der Anteilseigner der Vonovia zuzüglich latenter Steuern auf Steigerungen des Zeitwerts von Investment Properties (Anteil für das Core und Hold Portfolio (d.h. das Portfolio, das nicht verkauft werden soll)), Zeitwert der derivativen Finanzinstrumente (bereinigt um Effekte aus Fremdwährungsswaps) und Grunderwerbssteuer und Erwerbsnebenkosten (Anteil für das Core und Hold Portfolio (d.h. das Portfolio, das nicht verkauft werden soll)) abzüglich Goodwill und immateriellen Vermögenswerten. Der EPRA NTA per Aktie wurde auf Basis der ausstehenden dividendenberechtigten Aktien zum jeweiligen Stichtag berechnet.

(4) Der EPRA NTA pro Aktie wurde zum angegebenen Stichtag nicht als alternative Leistungskennzahl ausgewiesen und wurde zu Vergleichszwecken rückwirkend berechnet.

(5) Der EPRA NTA pro Aktie wurde zum angegebenen Stichtag nicht als alternative Leistungskennzahl ausgewiesen.

Wesentliche Pro-Forma Finanzformationen

Die zusammengefassten Pro-Forma Finanzinformationen sind nicht notwendigerweise ein Indikator für die Finanz- und Ertragslage, die sich ergeben hätte, wenn die Deutsche Wohnen Transaktion zum angegebenen Zeitpunkt abgeschlossen worden wäre.

	1. Januar 2020 bis 31. Dezember 2020				
	Historische Finanzinformation				
	Vonovia	**Deutsche Wohnen angepasst**	**Summe**	**Pro forma Anpassung**	**Pro forma Gewinn- und Verlustrechnung**
	(geprüft)	*(ungeprüft)*			
	(in Mio. EUR, soweit nicht anders angegeben)				
Erlöse aus der Immobilienbewirtschaftung	3.147,1	1.483,8	4.630,9	–	4.630,9
Ergebnis vor Steuern	5.014,4	2.269,4	7.283,8	137,6	7.421,4
Periodenergebnis	3.340,0	1.570,7	4.910,7	56,1	4.966,7
Ergebnis je Aktie (verwässert und unverwässert) in EUR	5,87	–	–	–	6,14

	1. Januar 2021 bis 30. September 2021				
	Historische Finanzinformation				
	Vonovia	**Deutsche Wohnen angepasst**	**Summe**	**Pro forma Anpassung**	**Pro forma Gewinn- und Verlustrechnung**
	(in Mio. EUR, soweit nicht anders angegeben)				
	(ungeprüft)				
Erlöse aus der Immobilienbewirtschaftung	2.416,8	1.114,9	3.531,7	–	3.531,7
Ergebnis vor Steuern	5.833,2	1.464,3	7.297,6	470,1	7.767,7
Periodenergebnis	3.869,1	832,9	4.702,1	485,1	5.187,2
Ergebnis je Aktie (verwässert und unverwässert) in EUR	6,63	–	–	–	6,36

B.3 Welches sind die zentralen Risiken, die für den Emittenten spezifisch sind?

- Vonovia ist von der wirtschaftlichen Entwicklung in den regionalen Teilmärkten, in denen sich ihre Immobilien befinden, abhängig. Die Gruppe ist von ihrer Fähigkeit abhängig, ihre Geschäftstätigkeit im Wohnungswesen diesen Entwicklungen anzupassen.
- Vonovia ist von makroökonomischen Entwicklungen abhängig, die sich insbesondere auf die Wirtschaftsleistung, das Zinsniveau und die Höhe der Inflation auswirken, was sich wiederum nachteilig auf den deutschen, schwedischen und österreichischen Immobilienmarkt und die Bewertung des Immobilienportfolios auswirken könnte.
- Falls es Vonovia nicht gelingt, ihre Immobilien in einem Zustand zu erhalten, der den technischen und regulatorischen Anforderungen sowie den Marktanforderungen entspricht, könnte dies ein Risiko für die Gesundheit und Sicherheit ihrer Mieter darstellen, zu Mietminderungen führen oder sich negativ auf die Fähigkeit auswirken, neue Mieter zu gewinnen.
- Die Integration der Deutschen Wohnen könnte nicht erfolgreich sein oder nicht wie geplant verlaufen und mit höheren Kosten oder einem höheren Ressourcenaufwand als erwartet verbunden sein.
- Die vom Vorstand der Gesellschaft erwarteten Synergien und Skaleneffekte im Zusammenhang mit der Integration der Deutsche Wohnen könnten nicht oder nur in einem geringeren Ausmaß eintreten oder deren Erzielung könnte mit höheren Kosten verbunden sein als geplant.
- Die Bewertung von Immobilien ist subjektiver Natur, mit Unsicherheiten verbunden und auf Annahmen gegründet, die sich als fehlerhaft herausstellen können oder durch Faktoren beeinflusst werden, die außerhalb der Kontrolle der Gruppe oder eines externen Gutachters liegen. Vonovia könnte dadurch gezwungen sein, die aktuell beiliegenden Zeitwerte ihrer Investment Properties anzupassen und die den bewerteten Immobilien zugewiesenen Schätzwerte könnten möglicherweise nicht den erzielbaren Verkaufspreisen entsprechen.
- Im Falle einer Zinssatzänderung, einer Verschlechterung der Marktlage oder ungünstiger Entwicklungen des Mietniveaus oder der Leerstandsquote der Gruppe kann sich Vonovia gezwungen sehen, die derzeit gültigen Zeitwerte der Investment Properties anzupassen und bedeutende Verluste hinzunehmen.
- Die Gruppe hat bedeutende ausstehende finanzielle Verbindlichkeiten, die aus der Ausgabe von Schuldtiteln sowie aus Darlehensverträgen resultieren und welche durch Immobilien der Gruppe besichert sind. Sofern eine Gesellschaft der Gruppe vereinbarte Finanzkennzahlen (Financial Covenants) in bestehenden oder zukünftigen Schuldverschreibungen, Schuldscheinen oder sonstigen Finanzinstrumenten oder in Darlehensverträgen nicht einhält oder gegen sonstige Bestimmungen verstößt, könnten Treuhänder oder Gläubiger die Sicherheiten, die von der Gruppe gestellt wurden, pfänden oder verwerten, was zu einem Verlust wesentlicher Vermögenswerte der Gruppe führen würde.
- Vonovia ist in Schweden tätig, wo die Schwedische Krone (SEK) die Währung ist. Da die Berichtswährung von Vonovia der Euro ist, hat jede Änderung des EUR/SEK-Wechselkurses einen direkten Einfluss auf die Ertrags- und Vermögenslage sowie Verbindlichkeiten von Vonovia, wenn Beträge zu Berichtszwecken in Euro umgerechnet werden. Unvorteilhafte Änderungen des EUR/SEK-Wechselkurses könnten deshalb wesentliche nachteilige Auswirkungen auf die Ergebnisse der Gruppe haben.
- Das Portfolio von Vonovia besteht überwiegend aus Wohnimmobilien, bei denen die Fähigkeit der Gruppe, die Mieten zu erhöhen, durch geltendes Recht beschränkt ist und diese Beschränkungen könnten in Zukunft noch weiter verschärft werden.

- Die Einführung einer CO_2-Umlage in Deutschland könnte sich negativ auf die Gruppe auswirken. Momentan kann diese Umlage vollständig an den Mieter weitergegeben werden, aber es kann nicht ausgeschlossen werden, dass versucht wird, die Kosten in Bezug auf die CO_2-Umlage auf Vermieter zu übertragen. Werden einige oder alle relevanten Kosten auf die Vermieter übertragen, so würde dies zu einer bedeutenden finanziellen Belastung der Gruppe führen.
- Vonovia unterliegt den allgemeinen steuerlichen Rahmenbedingungen in den Ländern, in denen die Gruppe tätig ist, insbesondere Deutschland, Österreich und Schweden. Durch Änderungen der Steuergesetze oder deren Anwendung oder Auslegung könnte sich die Steuerlast der Gruppe bezüglich der steuerlichen Behandlung von Dividendenzahlungen, aktueller oder zukünftiger Steuerbescheide, Steuerprüfungen oder Gerichtsverfahren erhöhen.
- Eine Übertragung von 90% oder mehr der Anteile der Gesellschaft oder einer Tochtergesellschaft innerhalb von zehn Jahren oder die Vereinigung von 90% oder mehr der Anteile einer Tochtergesellschaft kann in Deutschland grunderwerbsteuerpflichtig sein. Es kann nicht ausgeschlossen werden, dass die Finanzbehörden und Finanzgerichte die Ansicht von Vonovia zur steuerlichen Behandlung von Erwerben in der Vergangenheit nicht teilen, was zu einer erheblichen Steuerbelastung führen könnte.

C. Basisinformationen über die Wertpapiere

C.1 Welches sind die wichtigsten Merkmale der Wertpapiere?

Die Neuen Aktien sind auf den Namen lautende Stückaktien ohne Nennwert mit einem anteiligen Betrag am Grundkapital der Gesellschaft von EUR 1,00 je Aktie.

Anzahl und Art der Aktien – Zum Datum dieses Prospekts beträgt das Grundkapital der Gesellschaft EUR 575.257.327, eingeteilt in 575.257.327 Aktien. Das Grundkapital ist vollständig eingezahlt. Sämtliche Aktien der Gesellschaft sind auf den Namen lautende Stückaktien ohne Nennwert mit einem anteiligen Betrag am Grundkapital der Gesellschaft von EUR 1,00 je Aktie.

ISIN und Währung – Die ISIN der Neuen Aktien lautet DE000A1ML7J1 und die Neuen Aktien sind in Euro denominiert. Die ISIN der Bezugsrechte lautet DE000A3MQB30.

Mit den Aktien verbundene Rechte, relativer Rang und Übertragbarkeit – Die Neuen Aktien sind ab dem 1. Januar 2021 vollständig dividendenberechtigt. Jede Neue Aktie gewährt eine Stimme in der Hauptversammlung der Gesellschaft. Es bestehen keine Stimmrechtsbeschränkungen. Die Aktien der Gesellschaft sind im Fall einer Insolvenz der Gesellschaft gegenüber allen anderen Wertpapieren und Forderungen nachrangig und sind in Übereinstimmung mit den gesetzlichen Bestimmungen für Namensaktien frei übertragbar.

Dividendenpolitik – Die Dividendenpolitik von Vonovia zielt auf eine Ausschüttungsquote von rund 70% des Group FFO ab. Als Folge der Deutsche Wohnen Transaktion beabsichtigt Vonovia, nur für das Geschäftsjahr 2021, ihre Dividendenausschüttung auf der Grundlage des Vonovia Stand-alone Group FFO zuzüglich einer angenommenen Dividende, die Vonovia entsprechend ihres Anteils an der Deutsche Wohnen in Höhe von 87,6% erhalten hätte, wenn die Deutsche Wohnen eine Dividende in Einklang mit ihrer historischen Ausschüttungsquote gezahlt hätte (d.h. 65% des erwarteten FFO I für 2021). Ab dem Geschäftsjahr 2022 wird die Deutsche Wohnen für das gesamte Geschäftsjahr in den Finanzdaten reflektiert sein und Vonovia beabsichtigt, die Dividendenpolitik mit einer Ausschüttungsquote von rund 70% des ausgewiesenen Group FFO wieder aufzunehmen.

C.2 Wo werden die Wertpapiere gehandelt?

Die Neuen Aktien sollen zum Handel am regulierten Markt der Frankfurter Wertpapierbörse mit gleichzeitiger Zulassung zum Teilbereich des regulierten Marktes mit zusätzlichen Zulassungsfolgepflichten (Prime Standard) der Frankfurter Wertpapierbörse und am regulierten Markt der Luxemburger Börse (*Bourse de Luxembourg*) zugelassen werden.

C.3 Welches sind die zentralen Risiken, die für die Wertpapiere spezifisch sind?

- Bezugsrechte unterliegen einem Marktrisiko, welches dazu führen kann, dass sich kein Markt für Bezugsrechte entwickelt oder, falls sich ein Markt entwickelt, können die Bezugsrechte höheren Preisschwankungen unterliegen als die Aktien der Gesellschaft.
- Übt ein Aktionär der Gesellschaft zugewiesene Bezugsrechte für Neue Aktien während der maßgeblichen Bezugsfrist nicht aus, führt dies zu einer Verwässerung des anteiligen Eigentums dieses Aktionärs an den Aktien der Gesellschaft.

D. Basisinformationen über das öffentliche Angebot von Wertpapieren und/oder die Zulassung zum Handel an einem geregelten Markt

D.1 Zu welchen Konditionen und nach welchem Zeitplan kann ich in dieses Wertpapier investieren?

Umfang des Angebots – Die Neuen Aktien werden aus einer Kapitalerhöhung gegen Bareinlagen mit mittelbaren Bezugsrechten für die Altaktionäre gemäß § 186 Abs. 5 AktG resultieren. In Ausübung der Ermächtigung gemäß § 5 der Satzung (von der Hauptversammlung der Gesellschaft am 16. April 2021 geschaffenes genehmigtes Kapital) hat der Vorstand am 21. November 2021 mit Zustimmung des Aufsichtsrats vom 21. November 2021 beschlossen, das Grundkapital durch Ausgabe von 201.340.062 Neuen Aktien von EUR 575.257.327,00 um EUR 201.340.062,00 auf EUR 776.597.389,00 zu erhöhen. Die Neuen Aktien werden den Altaktionären in einem Bezugsverhältnis von 7:20 angeboten, das bedeutet, es können 7 Neue Aktien zum Bezugspreis von EUR 40,00 je Neue Aktie für 20 bestehende Aktien erworben werden (das ***Bezugsangebot***). Bezugsrechte, die innerhalb des Zeitraums ab einschließlich dem 24. November 2021 bis einschließlich zum 7. Dezember 2021 (die ***Bezugsfrist***) nicht ausgeübt werden, verfallen und werden wertlos. Ein Ausgleich für nicht ausgeübte Bezugsrechte erfolgt nicht. Um ein gerades Bezugsverhältnis zu ermöglichen, hat ein bestehender Gesellschafter auf die Bezugsrechte für 7 Neue Aktien verzichtet.

Das Bezugsangebot umfasst (i) ein öffentliches Angebot in Deutschland und Luxemburg, (ii) Privatplatzierungen in bestimmten Jurisdiktionen außerhalb Deutschlands, Luxemburgs und der Vereinigten Staaten von Amerika (die ***Vereinigten Staaten***) im Rahmen von Offshore-Transaktionen gemäß Regulation S des Securities Act der Vereinigten Staaten von 1933 in der geltenden Fassung (der ***Securities Act***) und (iii) Privatplatzierungen in den Vereinigten Staaten auf der Grundlage einer Ausnahmeregelung von den Registrierungsvorschriften gemäß dem Securities Act bei qualifizierten institutionellen Käufern (*qualified institutional buyers*) im Sinne von Rule 144A des Securities Act. Die Neuen Aktien und die Bezugsrechte wurden nicht und werden nicht gemäß dem Securities Act oder dem Wertpapierrecht einer anderen Jurisdiktion der Vereinigten Staaten, deren Territorien und Besitzungen, eines Bundesstaates der

Vereinigten Staaten oder des District of Columbia registriert und dürfen nicht in den Vereinigten Staaten angeboten, verkauft oder anderweitig übertragen werden, außer aufgrund einer Ausnahme von den Registrierungserfordernissen des Securities Act oder im Rahmen einer Transaktion, für die die Registrierungserfordernisse des Securities Act nicht gelten, und entsprechend dem geltenden Wertpapierrecht des jeweiligen Einzelstaats oder einer anderen Jurisdiktion in den Vereinigten Staaten.

Neue Aktien, die im Rahmen des Bezugsangebots nicht gezeichnet werden (die ***Restaktien***), werden von den Konsortialbanken in einer Restaktienplatzierung im Rahmen von Privatplatzierungen (i) ausgewählten qualifizierten Anlegern in bestimmten Jurisdiktionen außerhalb der Vereinigten Staaten in Offshore-Transaktionen gemäß Regulation S des Securities Act und (ii) in den Vereinigten Staaten qualifizierten institutionellen Käufern gemäß Rule 144A des Securities Act angeboten (die ***Restaktienplatzierung*** und zusammen mit dem Bezugsangebot, das ***Angebot***).

Die Gesellschaft und die Konsortialbanken haben am 21. November 2021 einen Übernahmevertrag (der ***Übernahmevertrag***) abgeschlossen, der eine feste Übernahme der im Rahmen des Angebots nicht verkauften Neuen Aktien durch die Konsortialbanken vorsieht. Das Angebot steht unter anderem unter dem Vorbehalt der Eintragung der Durchführung der Kapitalerhöhung im Handelsregister der Gesellschaft, die voraussichtlich am 3. Dezember 2021 erfolgen wird.

Am 21. November 2021 haben sich bestimmte Fonds, die von APG Asset Management N.V. verwaltet werden (***APG***), und die Norges Bank, die Zentralbank von Norwegen, (***Norges Bank***) gegenüber der Gesellschaft sowie gegenüber den Konsortialbanken als Drittbegünstigten unwiderruflich verpflichtet, die ihnen jeweils gemäß der Kapitalerhöhung zustehenden Bezugsrechte in vollem Umfang auszuüben. Bislang hält APG etwa 4,04% des Grundkapitals der Gesellschaft und die Norges Bank etwa 11,14% des Grundkapitals der Gesellschaft.

Voraussichtlicher Zeitplan des Angebots – Der voraussichtliche Zeitplan für das Angebot, der sich noch ändern kann, stellt sich wie folgt dar:

22. November 2021	Billigung des Prospekts durch die BaFin Notifikation des gebilligten Prospekts an die *Commission de Surveillance du Secteur Financier* in Luxemburg durch die BaFin Veröffentlichung des Prospekts auf der Webseite der Gesellschaft
23. November 2021	Veröffentlichung des Bezugsangebots im Bundesanzeiger
24. November 2021	Beginn der Bezugsfrist Beginn des Bezugsrechtshandels Handel der Aktien "ex Bezugsrecht"
26. November 2021	Gutschrift der Bezugsrechte durch die Depotbanken auf den Depotkonten der Aktionäre der Gesellschaft auf der Grundlage ihres jeweiligen Bestands an den Aktien der Gesellschaft am 25. November 2021 um 18:00 Uhr MEZ (Stichtag)
2. Dezember 2021 um 12:00 Uhr MEZ	Ende des Bezugsrechtshandels
3. Dezember 2021.............................	Voraussichtliche Eintragung der Durchführung der Kapitalerhöhung aus genehmigtem Kapital im Handelsregister
7. Dezember 2021 um 24:00 Uhr MEZ	Ende der Bezugsfrist Letzter Tag für die Zahlung des Bezugspreises
8. Dezember 2021.............................	Bekanntmachung der Ergebnisse des Bezugsangebots auf der Webseite der Gesellschaft Platzierung der Restaktien Bekanntmachung der endgültigen Ergebnisse des Angebots auf der Webseite der Gesellschaft
9. Dezember 2021.............................	Zulassungsbeschlüsse der Frankfurter Wertpapierbörse und der Luxemburger Wertpapierbörse (*Bourse de Luxembourg*) Veröffentlichung der Zulassung im Bundesanzeiger und auf der Webseite der Frankfurter Wertpapierbörse (http://www.deutsche-boerse.com)
13. Dezember 2021...........................	Aufnahme des Handels der neuen Aktien durch Einbeziehung in die bestehende Notierung der Gesellschaft am regulierten Markt an der Frankfurter Wertpapierbörse und im dazugehörigem Segment mit zusätzlichen Zulassungsfolgepflichten (Prime Standard) der Frankfurter Wertpapierbörse sowie am regulierten Markt der Luxemburger Wertpapierbörse (*Bourse de Luxembourg*) Buchmäßige Lieferung der während der Bezugsfrist bezogenen Neuen Aktien Buchmäßige Lieferung der während der Restaktienplatzierung bezogenen Restaktien

Bezugsrechtshandel – Die Bezugsrechte sind frei übertragbar und können während des Zeitraums ab einschließlich 24. November 2021 bis einschließlich 2. Dezember 2021, 12:00 Uhr MEZ im regulierten Markt der Frankfurter Wertpapierbörse (Xetra und Xetra Specialist) gehandelt werden. Die ISIN der Bezugsrechte lautet DE000A3MQB30.

Verwässerung – Aktionäre, die ihre Bezugsrechte für die Neuen Aktien vollumfänglich ausüben, werden ihren nahezu ursprünglichen Anteil am Grundkapital der Gesellschaft und an den Stimmrechten nach Durchführung der Kapitalerhöhung unverändert beibehalten. Der Anteil eines Aktionärs am Grundkapital der Gesellschaft und an den Stimmrechten wird um 25,93% je bestehende Aktie abnehmen, sofern dieser keines seiner Bezugsrechte ausübt.

Der Nettobuchwert des Eigenkapitals je Aktie für Altaktionäre, der im ungeprüften verkürzten Konzernzwischenabschluss der Gesellschaft für dem zum 30. September 2021 endenden Neunmonatszeitraum unter dem Posten „Eigenkapital der Anteilseigner der Vonovia“ erfasst ist, wird um EUR 1,74 bzw. 3,79% je Aktie sinken (berechnet anhand der Anzahl der Aktien nach Durchführung der Kapitalerhöhung im Vergleich zu der Aktienanzahl vor Durchführung der Kapitalerhöhung). Für die Erwerber der Neuen Aktien zum Bezugspreis von EUR 40,00 bedeutet dies eine Erhöhung von EUR 4,31 bzw. 10,77% je Aktie gegenüber dem Nettobuchwert des Eigenkapitals der Gesellschaft je Aktie nach Durchführung der Kapitalerhöhung.

Gesamtkosten – Unter der Annahme einer vollständigen Durchführung der Kapitalerhöhung zu einem Bezugspreis von EUR 40,00 erwartet die Gesellschaft auflaufende Gebühren und andere mit dem Angebot verbundene Kosten in Höhe von etwa EUR 136,0 Mio. Den Anlegern werden von der Gesellschaft oder den Konsortialbanken keine Kosten in Rechnung gestellt. Anleger müssen jedoch unter Umständen übliche Transaktions- und Bearbeitungsgebühren tragen, die von ihren depotführenden Finanzinstituten erhoben werden.

D.2 Wer ist der Anbieter und die die Zulassung zum Handel beantragende Person?

Die Neuen Aktien werden angeboten von der Gesellschaft, BofA Securities Europe SA, 51 rue La Boétie, 75008 Paris, Frankreich, eingetragen in Frankreich und französischem Recht unterliegend, Morgan Stanley Europe SE, Große Gallusstraße 18, 60312 Frankfurt am Main, Deutschland, eingetragen in Deutschland und deutschem Recht unterliegend, Société Générale, 29 boulevard Haussmann, 75009 Paris, Frankreich, eingetragen in Frankreich und französischem Recht unterliegend, BNP PARIBAS, 16, boulevard des Italiens, 75009 Paris, Frankreich, eingetragen in Frankreich und französischem Recht unterliegend, Citigroup Global Markets Europe AG, Reuterweg 16, 60323 Frankfurt am Main, Deutschland, eingetragen in Deutschland und deutschem Recht unterliegend, COMMERZBANK Aktiengesellschaft, Kaiserstraße 16 (Kaiserplatz), 60311 Frankfurt am Main, Deutschland, eingetragen in Deutschland und deutschem Recht unterliegend, Deutsche Bank Aktiengesellschaft, Taunusanlage 12, 60325 Frankfurt am Main, Deutschland, eingetragen in Deutschland und deutschem Recht unterliegend, Goldman Sachs Bank Europe SE, Marienturm, Taunusanlage 9-10, 60329 Frankfurt am Main, Deutschland, eingetragen in Deutschland und deutschem Recht unterliegend, ING Bank N.V., Bijlmerdreef 106, 1102 CT Amsterdam, die Niederlande, eingetragen in den Niederlande und niederländischem Recht unterliegend, Intesa Sanpaolo S.p.A., Piazza S. Carlo 156, 10121 Turin, Italien, eingetragen in Italien und italienischem Recht unterliegend, J.P. Morgan AG, Taunustor 1 (TaunusTurm), 60310 Frankfurt am Main, Deutschland, eingetragen in Deutschland und deutschem Recht unterliegend, Landesbank Baden-Württemberg, Am Hauptbahnhof 2, 70173 Stuttgart, Deutschland, eingetragen in Deutschland und deutschem Recht unterliegend, UBS AG London Branch, 5 Broadgate, London EC2M 2QS, Vereinigtes Königreich, eingetragen im Vereinigten Königreich und englischem Recht unterliegend; and UniCredit Bank AG, Arabellastrasse 12, 81925 München, Deutschland, eingetragen in Deutschland und deutschem Recht unterliegend.

Die Gesellschaft wird die Zulassung der Neuen Aktien zum Handel zusammen mit Morgan Stanley, die als Zulassungsantragstellerin fungiert, beantragen.

D.3 Weshalb wird dieser Prospekt erstellt?

Gründe für das Angebot, geschätzter Nettobetrag und Zweckbestimmung der Erlöse – Mit dem Angebot beabsichtigt die Gesellschaft, die im Rahmen des Überbrückungskreditvertrages (wie unten definiert) in Anspruch genommenen Beträge im Zusammenhang mit der Deutsche Wohnen Transaktion zurückzuzahlen. Unter der Annahme der vollständigen Durchführung der Kapitalerhöhung zu einem Bezugspreis von EUR 40,00 werden sich die Nettoerlöse der Gesellschaft aus dem Angebot voraussichtlich auf etwa EUR 7.918 Mio. belaufen. Der erwartete Nettoerlös aus dem Angebot in Höhe von EUR 7.918 Mio. soll dazu verwendet werden, den unter dem Überbrückungskreditvertrag gezogenen Gesamtbetrag von EUR 11,45 Mrd. auf EUR 3,53 Mrd. zu reduzieren.

Übernahmevertrag – Die Gesellschaft und die Konsortialbanken haben am 21. November 2021 einen Übernahmevertrag abgeschlossen, der eine verbindliche Übernahme der Neuen Aktien durch die Konsortialbanken vorsieht, die nicht im Rahmen des Angebots von den Konsortialbanken verkauft werden. Das Angebot steht unter anderen unter dem Vorbehalt der Eintragung der Durchführung der Kapitalerhöhung in das Handelsregister der Gesellschaft, die für den 3. Dezember 2021 erwartet wird.

Wesentliche Interessenkonflikte in Bezug auf das Angebot oder die Zulassung zum Handel – Im Zusammenhang mit dem Angebot und der Zulassung zum Handel besteht für die Konsortialbanken eine vertragliche Beziehung mit der Gesellschaft. Die Konsortialbanken unterstützen die Gesellschaft bei dem Angebot und koordinieren die Strukturierung und Durchführung des Angebots. Darüber hinaus werden UniCredit Bank AG zur Hauptbezugsstelle, Deutsche Bank AG zur Zahlstelle und Morgan Stanley zur Zulassungsantragstellerin ernannt. Nach Durchführung des Angebots erhalten die Konsortialbanken Gebühren. Die Konsortialbanken haben somit ein finanzielles Interesse an der erfolgreichen Durchführung des Angebots.

Jede der Konsortialbanken und ihre jeweils verbundenen Unternehmen haben möglicherweise im Rahmen ihrer üblichen Geschäftstätigkeit mit der Gesellschaft und/oder deren verbundenen Unternehmen Transaktionen durchgeführt und verschiedene Geschäfte und Leistungen im Bereich Commercial Banking, Investment Banking und Finanzberatung durchgeführt bzw. erbracht, für die sie übliche Gebühren und Provisionen erhalten haben. Im Zusammenhang mit der Finanzierung der Deutsche Wohnen Transaktion haben die Konsortialbanken (oder bestimmte ihrer jeweiligen verbundenen Unternehmen) einen Überbrückungskreditvertrag in Höhe von EUR 20,15 Mrd. mit der Vonovia abgeschlossen, der anschließend in Höhe von EUR 4,55 Milliarden gekündigt worden ist und nunmehr in Höhe von EUR 15,6 Mrd. besteht (der ***Überbrückungskreditvertrag***). Die Gesellschaft beabsichtigt, die Nettoerlöse aus dem Angebot zur Rückzahlung der unter dem Überbrückungskreditvertrag im Zusammenhang mit der Deutsche Wohnen Transaktion in Anspruch genommenen Beträge zu verwenden, wodurch sich die unter dem Überbrückungskreditvertrag ausstehenden Darlehensbeträge, für die die Konsortialbanken (oder bestimmte ihrer jeweiligen verbundenen Unternehmen) Zinszahlungen erhalten, reduzieren. Des Weiteren waren bestimmte Konsortialbanken (oder bestimmte ihrer jeweiligen verbundenen Unternehmen) auch als Platzeure an der Platzierung der von Vonovia emittierten Schuldverschreibungen im August 2021 beteiligt, deren Erlöse zur Refinanzierung eines Teils des Überbrückungskreditvertrags dienen.

Aufgrund dieser Geschäftsbeziehungen zwischen den Konsortialbanken oder ihren jeweiligen verbundenen Unternehmen und der Gesellschaft stimmen die Interessen der Konsortialbanken möglicherweise nicht mit denen der Gesellschaft oder der anderen Aktionäre der Gesellschaft überein, was einen potenziellen Interessenkonflikt begründet.

Abgesehen von den oben beschriebenen Interessen bestehen keine wesentlichen Interessen, insbesondere keine wesentlichen Interessenkonflikte, bezüglich des Angebots.

1. RISK FACTORS

An investment in the 201,340,062 newly issued no-par value (Stückaktien) registered (Namensaktien) ordinary shares of Vonovia SE (the ***Company*** *and, together with its consolidated subsidiaries,* ***Vonovia*** *or the* ***Group****, including, as of the first day of consolidation on September 30, 2021, Deutsche Wohnen SE (Deutsche Wohnen SE and, together with its consolidated subsidiaries,* ***Deutsche Wohnen****)) from a capital increase against cash contributions from authorized capital with indirect subscription rights (mittelbare Bezugsrechte), resolved by the Company's management board (Vorstand) on November 21, 2021 with approval of the Company's supervisory board* (*Aufsichtsrat) on November 21, 2021* (the ***New Shares***) *involves significant risks. References in this Prospectus to Vonovia or the Group relating to facts or circumstances which occurred as of a date being prior to September 30, 2021, do not include Deutsche Wohnen. Before deciding to acquire the New Shares, prospective investors should carefully review and consider the following risks in this prospectus (the* ***Prospectus****).*

According to Article 16 of Regulation (EU) 2017/1129 of the European Parliament and of the Council of June 14, 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market and repealing Directive 2003/71/EC, as amended, the risk factors featured in a prospectus must be limited to risks which are specific to the issuer and/or to the securities and which are material for taking an informed investment decision. Therefore, the following risks are only those risks that are specific to Vonovia and to the New Shares and based on Vonovia's current assessment material for making an informed investment decision, and consequently do not cover general risks faced by any company operating in the markets in which the Group operates.

The following risk factors are categorized into subcategories based on their respective nature. Within each such subcategory, the order of risk factors is based on the Company's current assessment with respect to the probability of occurrence and expected magnitude of the adverse impact of such risk factors, with the two most material risk factors (i.e. those the Company believes are most likely to have a material adverse impact) mentioned at the beginning of each subcategory. The risks mentioned may materialize individually or cumulatively.

1.1 Risks Related to the Group's Market Environment

1.1.1 Vonovia is dependent on economic developments in the regional sub-markets where its properties are located. The Group is dependent on its ability to adapt its housing activities to these developments.

The real-estate properties held and managed by Vonovia prior to the implementation of the Deutsche Wohnen Transaction (the ***Vonovia Portfolio***) and the real-estate properties held and managed by Deutsche Wohnen (the ***Deutsche Wohnen Portfolio***) are, as of September 30, 2021, located in 648 cities and communities, mainly in the Federal Republic of Germany (***Germany***) but also in the Kingdom of Sweden (***Sweden***) and in the Republic of Austria (***Austria*** and, together with Germany and Sweden, the ***Countries of Business***). In these Countries of Business, its business activities are influenced by numerous economic factors, which are also influenced by the general state and development of the global economy. In particular, developments in the residential property markets in the Countries of Business and in their regional sub-markets are of significant importance for the Group's business and future prospects. Real estate markets generally are susceptible to changes in the overall economy. Consequently, the Group's business is affected by factors affecting the general economic environment, such as interest rates, levels of public debt, gross domestic product (***GDP***) growth, inflation rates and political and financial market conditions in the Countries of Business. These developments play a decisive role in determining housing prices, rent levels, tenant turnover and vacancy rates, as well as home ownership and rental rates. They may vary significantly across these countries and within regional sub-markets.

Both economic and demographic developments, such as the growing elderly population and the resulting decline in government pensions, significantly impact, among other things, the demand for the Group's properties, the rents the Group is able to charge and the payment behavior of the Group's tenants. These factors have a significant effect on vacancy rates, the Group's revenues and the value of the Group's properties. Consequently, unfavorable economic and demographic developments in the Countries of Business or in the regions where the Group's properties are located could affect rent levels, tenants' ability to pay rent, or reduced property valuations thereby negatively affecting the Group.

In addition, due to its minority interests in the Dutch residential real estate platform Vesteda Residential Fund and the French residential real estate portfolio Fonciére Vesta, adverse economic developments in the Netherlands and France could also have a limited adverse effect on Vonovia.

1.1.2 Vonovia depends on macroeconomic developments that impact, in particular, economic performance, interest rate levels and levels of inflation, which in turn could negatively affect the German, Swedish and Austrian real estate markets and the valuation of Vonovia's real estate portfolio.

The global economy is characterized by volatility, uncertainty and declining growth. Particularly in connection with the effects of the outbreak and ongoing spread of the coronavirus SARS-CoV-2 first identified in December 2019 and its associated disease (***Covid-19***), public debt and unemployment have risen in many eurozone countries, threatening future economic growth. The European and global economies are also influenced by other factors, such as current geopolitical crises like those in Syria or Ukraine. In addition, trends toward protectionism, the implementation of trade embargoes, including a possible tightening of the trade embargo between the People's Republic of China (***China***) and the United States of America (***United States***) or other protectionist measures and the imposition of sanctions and restrictions could negatively impact international trade and regional economies.

There are various risks in the current economic environment, and new crises could arise that could lead to economic and financial market disruptions. Uncertainty about the general economic outlook has made investment opportunities that provide stable and largely predictable cash flows, such as investments in German, Swedish and Austrian residential real estate, more popular. This trend has been exacerbated by historically low interest rates in Europe. As a result, property prices and residential property values have risen.

These developments could reverse themselves if, for example, interest rates were to rise, as observed in some parts of the world. A rise in interest rates in Europe could lead to increased investor interest in investments with a higher risk profile and a reduction in the attractiveness of real estate investments. Rising interest rates could adversely impact Vonovia in a number of ways, including:

- A rising interest rate environment may make homes difficult to afford for more potential customers. Demand for new homes is sensitive to changes in housing affordability. Most new home purchasers finance their home purchases through lenders providing financing through mortgage-backed loans. Lack of availability of such financing at acceptable rates therefore reduces demand for homes. This could, in particular, affect Vonovia's "Development" and "Recurring Sales" segments. Even if potential customers do not need such financing, changes in interest rates or in the availability of financing products that are secured by security interests in real property may make it harder for them to sell their current homes to potential buyers who themselves may need such financing.
- The discount rate used to calculate the value of the Group's properties recorded on the Company's balance sheet in accordance with International Accounting Standard (***IAS***) 40 (such value hereinafter referred to as the ***Fair Value***) tends to increase in an environment of rising interest rates, which in turn could result in the Group's properties having a lower Fair Value which, in turn, is relevant for Vonovia's covenants and ratings.

- As a result, the Group's strategy of disposing assets from its "Non-core" or "Non-strategic" portfolio segment at or around current Fair Value could be jeopardized. Income from the sale of properties constitutes an important source of both profit and cash flow for Vonovia. At present, the Group's disposal strategy is benefiting from the low-interest environment and the prevailing perception of residential real estate as a low-risk investment opportunity. If any of these factors change, Vonovia could be prevented from increasing the quality of its portfolio and its operational efficiency through divestments of assets allocated to the "Non-core" portfolio segments.
- In connection with its acquisition activities, such as the acquisition of Hembla AB (publ) (***Hembla***, and together with its consolidated subsidiaries the ***Hembla Group***), the acquisition of Victoria Park AB (publ) (***Victoria Park***, and together with its consolidated subsidiaries the ***Victoria Park Group***), the acquisition of BUWOG Group GmbH (***BUWOG***, and together with its consolidated subsidiaries the ***BUWOG Group***), the acquisition of conwert Immobilien Invest SE (***conwert***, and together with its consolidated subsidiaries the ***conwert Group***) or the acquisition of Gagfah S.A. (***Gagfah***, and together with its consolidated subsidiaries the ***Gagfah Group***), Vonovia has acquired significant goodwill. Any acquired goodwill is subject to regular impairment tests potentially resulting in goodwill impairment write-downs. An increased discount rate could result in lower present values of the expected future cash flows and may require goodwill impairment write-down. Any impairment may negatively affect the consolidated financial statements and other key financial figures of the Company. As regards the voluntary takeover offer of Deutsche Wohnen (the ***Deutsche Wohnen Transaction***), see "*1.3 Risks Related to the Deutsche Wohnen Transaction*" below.
- Given the Group's dependence on its ability to access financial markets to refinance its debt, any increase in interest rates could also increase the costs of refinancing its existing and future debt.
- When negotiating financing agreements or extending such agreements, Vonovia depends on its ability to agree to terms and conditions that will provide for interest payments that will not impair its targeted profit. If the current low-interest rate environment is followed by one in which high rates prevail, the Group's financing costs, including costs for hedging instruments, may increase.
- Some of the Group's loans include interest rate swaps. The valuation of the individual hedging instruments, which, in turn, depends on the level of interest rates, also impacts the Group's equity and results of operations. Any rise in interest rates would result in a decrease in the Group's equity and would have a negative effect on its results of operations.

Besides rising interest rates, also increasing inflation is a macroeconomic risk which could have a material adverse effect on Vonovia, in a number of ways:

- When preparing real estate valuations, appraisers take into account a multitude of factors, including current market transactions. Higher inflation may lead to increased return requirements and capitalization rates for properties. Appraisers will address higher return requirements accordingly in their valuations and, consequently, this could lead to adverse effects on the value of the Company's real estate portfolio. Consequently, Vonovia would have to revise the values of the total portfolio on the consolidated balance sheet downwards.
- The ability of landlords to increase rents under existing tenancy agreements is limited under German law. If the parties to a tenancy agreement have agreed on a stepped rent (*Staffelmiete*) or an indexation of rents (*Indexmiete*), the inflation rate may exceed Vonovia's ability to increase rents for certain properties. If such an increase in the inflation rate were to occur, Vonovia would incur a real rent decline which would have a negative effect on its results of operations.

1.1.3 *It could become more difficult for Vonovia to implement its strategy of acquiring residential real estate portfolios or real estate companies at attractive prices, particularly due to the*

increase in market prices for real estate portfolios and real estate companies and the increasing consolidation in the residential real estate market. Any such development could impair the growth of the Group's business and could prevent Vonovia from generating additional economies of scale and from improving its overall portfolio quality through acquisitions.

As part of its business strategy, Vonovia seeks to capture growth opportunities by acquiring residential real estate portfolios and real estate companies when these are deemed to enhance the value of the Group. Such acquisitions may only be implemented, however, if attractive real estate portfolios or real estate companies are available for purchase at economically reasonable prices. Given the continuing high demand for residential real estate in the Countries of Business, which is reinforced by the prevailing low interest rate environment, such portfolios and companies may be unavailable or available only on unfavorable terms. Due to the increasing consolidation in the residential real estate market, the number of available real estate portfolios has further decreased. In addition, competitors with asset acquisition objectives similar to those of the Group may possess greater financial resources and lower costs of capital than Vonovia. Furthermore, it cannot be guaranteed that the Group will be able to generate sufficient funds to finance such envisaged acquisitions in the future.

Additionally, the supply of real estate portfolios might be limited, for example, due to fewer sales of real estate portfolios by public and private long-term owners. As a consequence, the Company could be forced to pay higher prices or to acquire fewer (if any) properties.

Any inability of Vonovia to acquire residential real estate portfolios or real estate companies could not only impair Vonovia's strategy to capture external growth opportunities but could also jeopardize Vonovia's efforts to improve the quality of its portfolio and reduce the administrative costs per unit through acquisitions.

Any inability of the Group to acquire suitable properties on attractive terms could limit its growth and could have material adverse effects on its business, cash flow and results of operations.

Conversely, in the case of an oversupply in sub-markets, Vonovia may not be able, or may be able only to a limited extent, to achieve the planned improvement of the quality of its portfolio through disposals.

1.1.4 Continued economic inactivity as a result of pandemics, such as Covid-19, epidemics, outbreaks of infectious diseases or any other serious public health concerns, could adversely affect Vonovia's business.

Pandemics, epidemics, outbreaks of infectious diseases or any other serious public health concerns, such as the ongoing Covid-19 pandemic, together with any measures aimed at mitigating a further expansion thereof, such as restrictions on travel, imposition of quarantines, repeated and prolonged closures of workplaces, or curfews or other social distancing measures, may continue to have a material adverse effect on the global economy and international financial markets in general and on the markets in which the Group operates in particular. The implications of such outbreaks depend on a number of factors, such as the duration and spread of the respective outbreak as well as the timing, suitability and effectiveness of measures imposed by authorities, the availability of resources, including human, material, infrastructure and financial resources (*e.g.* governmental stimulus packages and/or measures introduced by central banks) required to implement effective responses to a crisis situation at the international, national and regional level, in particular an efficient and speedy vaccination campaign, as well as the level of civil compliance with such measures. There is no guarantee that such measures, or a combination thereof, are effective means to combat such an outbreak and the implications resulting therefrom, which may result in an increase of credit risk, liquidity risk and operational risk for the Group and, ultimately, have material adverse effects on the operating results of the Group and its business and financial situation.

Various factors important to the success of the Group's operations have been, and may continue to be, materially adversely affected by the ongoing spread of Covid-19, as well as the recent mutations of the Covid-19 virus, and the accompanying repeated regional and multi-regional lockdowns. The social distancing measures that have been and will be implemented by countries around the world to contain repeated waves of Covid-19 infection have led to a significant reduction in global economic growth and could lead to a severe global recession and financial crisis. As economic activity in Germany, as well as on a European and global level, has been reduced since the outbreak of the Covid-19 pandemic began in spring 2020, many companies may be forced to close their operations, which could lead to a further increase in unemployment. As businesses and unemployed workers no longer have the income to pay their outstanding debts, the number of defaults could significantly increase. In addition, statutory provisions related to Covid-19, such as rent moratoria or statutory deferral provisions, could be enacted in the countries in which the Group operates. The repeated lockdowns in the Countries of Business have negatively affected production volumes and supply chains and may lead to higher costs of or delays in new construction and modernization projects, which in turn result in delayed rent increases or income. Such developments could have a number of negative effects on the Group's business, including the following:

- Some tenants in the Group's properties could find it increasingly difficult to pay their rent, thereby leading to a dramatic increase in late payments or defaults.
- Other tenants in the Group's properties may no longer be able to afford to pay rent at all and be forced to move out, thereby reducing the Group's income stream. Moreover, if unemployment is widespread, the Group may not be able to find tenants to take the place of those that had to move out.
- Furthermore, as a result of widespread unemployment or a lower level of income, the Group's rental properties may become too expensive for many people. As a result, the Group may be confronted with having to endure either a higher rate of vacancies or lower rental prices at its properties.
- Deferrals for rent payments and temporary waivers of rent payment and eviction actions could be mandated by law.
- As regards the Group's properties for sale, lower economic activity could also make it more difficult to sell properties at the price expected by the Group or at all. If the Group cannot sell certain properties, it would be forced to pay the costs of upkeep without the possibility of recouping such costs in a later sale.
- The Covid-19 pandemic, the measures imposed by authorities to mitigate the crisis and the resulting economic implications could have material negative effects on the valuation of real estate properties and therefore on the assets of the Group.
- As a result of increased levels of defaults, banks may have reduced liquidity, which could make it harder for the Group to obtain the financing it requires to pursue its acquisition and development strategies or even for its regular operations.
- There may be delays in the development, re-development or maintenance of properties resulting from lockdowns or other Covid-19 related measures.
- In addition, even if the Group is able to complete the development of certain properties, it may not be able to find suitable purchasers on account of significantly reduced demand. Such demand may be reduced due to either liquidity constraints faced by potential purchasers or due to a general decrease in demand for new properties.
- The range of services offered by the Group had to be restricted in part due to the lockdown and mandatory quarantine and other measures.

- Increase in ancillary costs (*Betriebskosten*), due in part to increased occupational health and safety requirements as regards the Covid-19 pandemic.
- As regards regional developments, the spread of Covid-19 may also slow the rate at which people move from rural and suburban areas into cities, which could have a negative impact on rental prices and overall residential demand in cities. Similarly, the trend towards "home office" may result in a reduced demand for apartments in metropolitan areas.

1.2 Risks Related to the Group's Business

1.2.1 If Vonovia fails to maintain its properties in a condition that satisfies technical and regulatory requirements as well as market demands, its properties could pose a risk to health and safety of its tenants, result in rent reductions or could also have a negative impact on the ability to attract new tenants.

In order to ensure the safety of a rental property's inhabitants, sustain demand for a rental property and generate adequate revenue over the long term, the condition of Vonovia's properties must be maintained or improved to a standard that satisfies technical and regulatory requirements, including health and safety requirements, and meets market demand. Failure to maintain a building in such condition may pose a risk to the health and safety of the Group's tenants and employees. It could also have a negative impact on the ability to attract new tenants and lead to rent reductions by existing tenants. Typically, the costs associated with maintaining a rental property at market standards are borne primarily by the owner of the relevant property. As a result of changing legal or market requirements (*e.g.* with regard to energy efficiency or health or safety requirements), the Group as property owner may be burdened with substantial additional costs for maintenance and modernization. For instance, due to certain market developments caused by or related to the Covid-19 pandemic, prices for certain raw materials, such as wood or metals, are currently increasing or may not even be available at all. In countries in which Vonovia operates, rent increases according to current regulation may be introduced to compensate for these expenses only under certain conditions, and these rent increases usually may not exceed a certain percentage of the costs incurred in connection with certain modernization measures. In addition, Vonovia may not be able to increase rents to the extent permitted by current law as a result of market conditions or the inability of tenants who receive state support (this concerns part of the Group's tenants) to afford these increased rents.

Vonovia has a reporting system in place to monitor and budget necessary maintenance and modernization measures. However, there can be no assurance that these systems will be sufficient to accurately forecast maintenance costs. Numerous factors may generate substantial unbudgeted costs for maintenance and modernization. These factors may include the use of building materials harmful to human health at the time of construction which require subsequent replacement or other remediation measures or currently unknown building code violations.

Additional unexpected costs may also be incurred if the actual costs of maintaining or modernizing its properties were to exceed the Group's estimates. In addition, hidden defects may be discovered during the implementation of maintenance and modernization measures which are not covered by insurance or contractual warranties and thus may lead to additional costs for the Group.

In addition, with respect to some of the properties in its portfolio, Vonovia also entered into obligations under its loan and purchase agreements and social charters to spend minimum average amounts per square meter (***sqm***) on maintenance and modernization. This may restrict the Group's ability to focus on other planned maintenance measures and may thus result in a sub-optimal allocation of funds.

A failure to undertake appropriate maintenance and modernization work due to the factors described above could adversely affect the rental income earned from affected properties, the value of such properties or the ability to attract new tenants. Such a failure could entitle tenants to withhold or reduce rental payments or even to terminate existing tenancy agreements.

1.2.2 Vonovia may be unable to sell a portion or the whole of its portfolio on favorable terms.

The real estate markets in which Vonovia invests and operates are characterized by limited liquidity. The Group's ability to sell parts of its real estate portfolio depends on many factors, including (but not limited to) the supply and demand for properties or the market liquidity. If Vonovia were to be required to sell parts of its real estate portfolio, including for the purpose of raising cash to support its operations, there is no guarantee that the Group would be able to sell such parts of its portfolio on favorable terms or at all. In the case of a forced sale of all or part of Vonovia's real estate portfolio, for example, because creditors of the Group realize collateral, there could be a significant shortfall between the price obtained and the carrying amount of the portfolio sold.

In addition, certain contractual obligations under existing purchase agreements or social charters within or with regard to the Vonovia Portfolio, restrict the Group's ability to sell certain parts of its portfolio. As of December 31, 2020, approximately 63,000 residential units of the Vonovia Portfolio were subject to such restrictions. Furthermore, Vonovia may not be able to sell certain properties if it fails to achieve certain expected rent levels. This could result in Vonovia being unable to generate maximum revenues with regard to the relevant residential units.

1.2.3 Vonovia depends on successful acquisitions and takeovers of property portfolios and real estate companies and there are a number of factors, including unexpected liabilities, greater indebtedness, higher interest expenses, higher compensations, challenges with respect to the integration of newly acquired businesses, increased transaction costs or the fact that real estate portfolios or real estate companies that may be acquired in the future may not develop as favorably as expected, which could adversely affect the success of such acquisitions and takeovers.

As part of Vonovia's strategy, Vonovia constantly evaluates property portfolios and real estate companies in order to identify those that might fit both its existing property portfolio and its current management platform and which Vonovia believes might improve the quality of its portfolio. In the past, Vonovia has acquired, in particular, several real estate companies, and made various investments as part of its European acquisition strategy, such as the acquisition of a minority interest in France and the Netherlands. For specific risks related to the Deutsche Wohnen Transaction, see "*1.3 Risks Related to the Deutsche Wohnen Transaction*", below.

Direct and indirect investments in property involve considerable risk. Apart from the risks associated with the acquired properties or companies themselves, acquisitions occupy management resources that then cannot be deployed elsewhere within Vonovia. The Company's acquisition of additional property portfolios and real estate companies can be financed by taking on additional debt or by issuing new shares in the capital markets or by a combination thereof. If the Group is unable to obtain the necessary capital on reasonable terms, the Company may be unable to make further acquisitions or may be able to do so only to a limited extent. Any additional debt incurred by way of debt financing in connection with future acquisitions could have a significant negative impact on the Group's performance indicators EPRA Net Tangible Assets (***EPRA NTA***), calculated in accordance with the recommendations of the European Public Real Estate Association (***EPRA***), and loan to value ratio (***LTV Ratio***) and could result in higher interest expenses for the Group. If Vonovia is no longer able to obtain the debt or equity financing it needs to acquire additional property portfolios, or if it is able to do so only on unfavorable terms, its further business development and competitiveness could be severely constrained. In addition, acquisitions could have a negative impact on some performance indicators including but not limited to those that are relevant for Vonovia's rating or could result in a breach of financial covenants.

Vonovia could be required to conduct limited due diligence on the properties, entities or companies in question. Accordingly, Vonovia may not be in a position to examine whether the original owners of the properties obtained all required permits for new buildings, satisfied all permit conditions, obtained all necessary licenses and fire, health and safety certificates or satisfied all comparable requirements and/or whether the properties comply with all required criteria. In addition, the properties may suffer from hidden defects, such as contamination, and may thus require significant investments. Moreover, Vonovia may not be in a position to carry out all follow-up investigations, inspections and appraisals/inventories (or to obtain the results of such inquiries). In addition, in the course of the acquisition of companies or residential and other property portfolios, specific risks may not be, or might not have been, identified or evaluated correctly. As a result, legal and economic risks may be, or might have been, overlooked or misjudged. Although sellers typically make various warranties in purchase agreements that Vonovia enters into in connection with such property acquisitions, it is possible that these warranties do not cover all risks or that they fail to cover such risks sufficiently. Additionally, a warranty made by a seller may be unenforceable due to the seller's insolvency or for other reasons. In some cases, a seller makes no representation or warranty as to the completeness and correctness of the information that is made available in the context of due diligence, or as to whether such information remains correct during the period between the conclusion of the due diligence and the closing of the relevant acquisition.

In addition, in the case of a public takeover, the Company must rely on publicly available information in determining the value of the target company. Such publicly available information is not always up-to-date and all facts that are relevant for such evaluation have not always been publicly disclosed. Moreover, public takeovers are subject to strict legal requirements which may increase the complexity of a transaction. They also may give rise to legal disputes with an adverse effect, in particular if several jurisdictions are concerned. As a result, additional payments or disadvantages could be incurred, which may be substantial. The completion of acquisitions without access or with limited access to up-to-date information on the target company or the legal disputes that may arise in connection with such acquisitions could have material adverse effects on the Group's business, financial condition and results of operations.

In the past, Vonovia acquired many companies holding real estate jointly with co-investors and intends to do so in the future. This may make the acquisition process significantly more complex, result in strong minority rights of the co-investors and, ultimately, increase acquisition costs and future administrative burdens in respect of the newly acquired entity. In addition, an amendment to the law came into effect on July 1, 2021, further tightening the rules on the real estate transfer tax (***RETT***) liability of certain share transfers. For example, the threshold for a RETT-liable share acquisition was lowered from 95% to 90% and the holding period for determining RETT-liable share transfers was extended from five to ten years. In addition, the new Section 1(2b) of the German Real Estate Transfer Tax Act (*Grunderwerbsteuergesetz*) introduced a parallel provision to Section 1(2a), according to which an acquisition triggering RETT shall be deemed to exist also in case of corporations holding real estate if ownership in at least 90% of the shares changes within a period of ten years to new shareholders. Shares traded on an organized market within the meaning of the German Securities Trading Act (*Wertpapierhandelsgesetz*) on the basis of stock exchange transactions are to be excluded from the calculation of the 90% threshold (the "stock-exchange clause"). In the future, it could become more difficult or more cost-intensive to find suitable co-investors as a result of these changes to the law. Also, following the federal election for the German parliament (*Bundestag*) on September 26, 2021, it cannot be ruled out that the RETT rules on share transactions will be further tightened.

Moreover, portfolios and companies that may be acquired in the future may not develop as favorably as expected. For example, targeted rent increases may not be implemented as planned due to a lack of tenants who are willing or able to pay increased rents, or vacancy rates may increase due to unfavorable demographic or economic developments.

1.2.4 Vonovia may not be able to efficiently and effectively integrate newly acquired properties into its platform and to generate the expected synergies and economies of scale.

After the acquisition of properties or a property portfolio, the properties must be integrated into Vonovia's existing management platform. The integration of acquired properties and portfolios can take several years and tie up considerable human and financial resources. This process could be more difficult or take more time than anticipated, and cost savings and synergies may not develop as expected, resulting in higher administrative and management costs than anticipated by Vonovia. In addition, the costs required to achieve these synergies may be higher than anticipated. Particularly in the case of acquisitions of large-volume property portfolios, Vonovia could have overestimated earning potential and synergies, underestimated the rental and cost risks and consequently paid a purchase price higher than the portfolio's actual value. Furthermore, the property portfolios could be inaccurately appraised by Vonovia for other reasons, even if they were acquired on the basis of valuation reports and due diligence reviews. Therefore, neither a particular target return from rentals, nor, if applicable, a certain price upon resale can be guaranteed with respect to acquired property portfolios. Comparable risks could arise if Vonovia acquires shares in real estate companies. Here, too, Vonovia could overestimate the earning potential and synergies associated with the shares to be acquired, or could underestimate the liability and risks inherent in the real estate company in which it is to acquire a share, and could consequently pay a purchase price higher than the actual value of the investment.

Successful integration of real estate companies requires for example that different business models are integrated, previously separate employee bases be merged, different corporate cultures combined, IT systems harmonized, and common processes established. This integration process can affect the availability, quality and efficiency of existing operations and services, as well as lead to increased employee turnover, and the associated loss of knowledge and experience. Furthermore, integration may have adverse effects on the contractual or legal positions of one or more of the parties involved. In addition, the integration of IT systems of newly acquired property portfolios or real estate companies into Vonovia's existing IT platform or the transmission of the respective data to Vonovia's IT system could require significant time, effort and related costs. Vonovia's reputation may be negatively affected, if the integration of IT systems cannot be completed in such time or at such costs as envisaged. As Vonovia continues to grow, further acquisitions could cause a significant increase in such costs, or in other costs related to the growth and development of Vonovia's IT systems.

1.2.5 In connection with several key acquisitions, Vonovia has entered into contractual obligations, or assumed such obligations indirectly through acquired entities, inter alia in the form of social charters, which restrict its ability to freely divest parts of its portfolio, to transfer or terminate employment relationships or to increase rents for certain units and which could lead to substantial contract penalties in case of breach. Each of the foregoing may prevent the Group from generating the maximum value from the affected properties.

Besides statutory protections applicable to existing rental agreements, which may impose disposal restrictions or limitations, also real estate transactions often include contractual clauses for the protection of tenants and employees which, for example, restrict a buyer's right to divest the acquired portfolio, to increase rent on the acquired units or to terminate existing tenancy agreements, which reduces the attractiveness of the affected units for prospective purchasers. Such contractual obligations, including, inter alia, restrictions and in many cases also duties to act, such as investment obligations, often appear in the form of social charters, which are especially common in connection with the privatization of publicly-owned property, where the selling public authorities intend to mitigate potential social effects of such transactions, or when these portfolios are subsequently transferred to third parties. In many cases, these obligations lapse in full or in part after a certain period of time. As of December 31, 2020, approximately 133,000 of the Vonovia Portfolio's residential units were subject to one or more contractual restrictions and other obligations. These restrictions include in particular:

- *Restrictions on sales.* In total, as of December 31, 2020, approximately 63,000 residential units of the Vonovia Portfolio were subject to selling restrictions (excluding preferential occupancy rights), of which approximately 18,000 residential units may not be freely sold before a certain date. Such selling restrictions include total or partial bans on divesting residential units and provisions which require the consent of specified delegates of the original seller before a sale.
- *Preferential pre-emptive purchase rights.* Approximately 6,000 residential units of the sub-portfolio "Recurring Sales" of the Vonovia Portfolio may only be sold if the tenants are given preferential pre-emptive purchasing rights, meaning that Vonovia is required to offer the residential units to such tenants at a discount of up to 15% of the price that would be achievable if the residential units in question were sold to a third party.
- *Restrictions on the termination of tenancy agreements.* Restrictions on termination of tenancy agreements affect approximately 95,000 residential units of the Vonovia Portfolio. These restrictions include termination for reasons of personal need (*Eigenbedarf*) or appropriate commercial use (*angemessene wirtschaftliche Verwertung*). In some cases, there is even lifelong protection against termination if tenants reach a certain age.
- *Minimum maintenance spending and restrictions on modernization and maintenance.* Around 56,000 apartments of the Vonovia Portfolio are subject to minimum maintenance obligations. As a minimum maintenance obligation no longer applies, the weighted average of the annual necessary spending on maintenance and modernization has changed to EUR 6.52 per sqm. Furthermore, around 49,000 residential units of the Vonovia Portfolio are mainly affected by time-based restrictions on modernization and maintenance measures, which are designed to prevent changes in socio-economic tenant composition (*i.e.* to limit so-called luxury modernizations (*Luxusmodernisierungen*)).
- *Restrictions on rent increases.* Restrictions on rent increases affect approximately 42,000 residential units of the Vonovia Portfolio. These restrictions may prevent Vonovia from fully realizing the potential rents of the affected units.
- *Special protection for employees against dismissal.* As of December 31, 2020, certain employees of the Group benefit from special protection against dismissal, including in connection with guarantees that their employment cannot be terminated for operational reasons (*betriebsbedingte Gründe*) or for reasons of a transfer of business (*Betriebsübergang*). Approximately 53 employees benefit from lifelong, special protection against dismissal.

In many cases in which portfolios are transferred in whole or in parts or individual residential units are sold, the aforementioned obligations must be assumed by purchasers with the requirement to impose such obligations also on any further purchasers. Breaches of such obligations often lead to substantial contractual penalties. In addition, any alleged breach may result in Vonovia becoming a matter of public discussion and suffering a severe loss of reputation. Therefore, an actual or alleged breach may have material adverse effects on the Group's operations and thus on its results of operations.

In light of the restrictions set out above, it is necessary to implement various internal control systems to ensure compliance with the aforementioned restrictions and obligations in order to avoid any potential penalties; however, such internal controls and policies may be insufficient to monitor compliance so that accidental breaches may occur.

In addition to these contractual obligations entered into in connection with acquisitions, Vonovia has received subsidies from public authorities which restrict the level of rents chargeable on a part of Vonovia's portfolio. Vonovia has also entered into loan agreements subject to covenants restricting the sale of properties or prescribing minimum selling prices.

Some of the aforementioned obligations may limit Vonovia's ability to attractively market parts of its portfolio, which in turn could force Vonovia to forego opportunities for streamlining and generating profit. This could result in a decrease of the Fair Value of the Group's property portfolio and limit its ability to generate cash flow from selective divestitures.

1.2.6 Vonovia plans significant investments in modernization and new construction measures related to the Vonovia Portfolio, which may not generate the expected return.

Vonovia targets an internal rate of return (***IRR***) of approximately 9% on the capital invested in modernization measures related to the Vonovia Portfolio and anticipates that these investments will continue to make a substantial contribution to Group-wide rent growth. Prior to the Deutsche Wohnen Transaction, the Group intended to invest between EUR 1,300 million and EUR 1,600 million in the strategic portfolio of the Vonovia Portfolio in the fiscal year 2021. In the medium term, it intends to maintain a high level of investment in order to invest in modernization and new construction measures. The planned modernization measures include the energy-efficient modernization of buildings, the adaptation of individual apartments to senior living in particular, as well as the addition of extra stories to existing buildings and the construction of new buildings for Vonovia's own portfolio.

While the Group was able in the past to generate an average IRR of approximately 9% on the capital invested in modernization and new construction measures, no assurance can be given that such return will continue to be generated in the future. In particular, the attainment of the yield targets may be jeopardized by contractually agreed investment obligations (including obligations under social charters) as these required investments will not yield the targeted returns. In addition, the Group's expectations that the future demand for apartments suitable for senior living and energy-efficient apartments will increase may turn out to be inaccurate, or customer preferences may change. Furthermore, due to challenges to oversee and organize such large investment programs, Vonovia may not be in a position to find sufficient investment opportunities to invest the budgeted amount per year. Management may make investment decisions that turn out to be less profitable than expected as a result of insufficient information or lack of expertise. Furthermore, with regard to some residential units in its portfolio, Vonovia is subject to contractual requirements which impose restrictions on the selection and scope of its modernization measures. For example, individual modernization projects that go beyond the usual scope and would lead to an increase in rent that may be prohibited thereby making such investment unattractive. In addition, Vonovia may not be able to pass on the costs of certain modernization measures to its customers if the customers are unable to afford rent increases as a result of the modernization measures. Further, the Group may be restricted in its ability to finance its investment programs through loans or other debt instruments depending on the Group's current and future debt level and structure.

1.2.7 Vonovia has received subsidies from public authorities which restrict the level of rents chargeable on a part of Vonovia's portfolio. Providers of the subsidized loans may also unilaterally exercise their right to increase the rate of interest payable on such loans.

Vonovia receives grants from public authorities in the form of construction subsidies, expenses subsidies, expenses loans and low-interest loans that impose certain limitations on the Group. As of September 30, 2021, approximately 24% of the Vonovia Portfolio (approximately 98,800 residential units) and approximately 6% of the Deutsche Wohnen Portfolio (approximately 9,100 residential units) were rent-restricted due to subsidies provided by publicly owned investment and development banks. These related to approximately 11% of properties of the Vonovia Portfolio (approximately 39,900 residential units) in Germany, 100% of properties of the Vonovia Portfolio (approximately 38,500 residential units) in Sweden and approximately 95% of properties of the Vonovia Portfolio (approximately 20,400 residential units) in Austria. In Germany, most of these subsidies are granted in the form of low-interest, long-term loans. As of September 30, 2021, Vonovia had received subsidized loans which carry a book value of EUR 2,077.9 million under IFRS, due to the applied effective interest method, but a nominal value of EUR 2,116.6

million. The public bodies granting a subsidized loan impose maximum rent levels on the properties constructed, acquired or modernized using such subsidized loan. Although the rent levels set by the public bodies are significantly below current market rents for a number of rent-restricted residential units, it may be difficult to increase rents to market levels after the expiration of subsidy restrictions because of the lack of tenants who are willing or able to pay market level rents for such properties. In relation to the Vonovia Portfolio, rent restrictions will expire in 2022 for approximately 1,600 units and in 2023 for approximately 2,100 units. In relation to the Deutsche Wohnen Portfolio, rent restrictions will expire in 2022 for approximately 160 units and in 2023 for approximately 180 units.

Moreover, some of the Group's subsidized loan agreements contain a clause pursuant to which the lender is granted the right to unilaterally increase the interest rates of the loans up to a specific maximum amount per year. In such an event, Vonovia is entitled to increase its rents accordingly. The lenders under these agreements have exercised this right only selectively in the recent past. It cannot be excluded, however, that the lenders may exercise this right more frequently in the future. In such case, Vonovia may not be in a position (although it would be entitled) among other things to increase its rents either because tenants might not be able to pay the increased rents or the increased rent would exceed the market rents for comparable units.

If Vonovia fails to adapt its rent levels to market rent levels after the expiration of the subsidized loans, or if the lenders exercise their rights to increase interest rates and Vonovia is not in a position to adjust rents accordingly, this could have material adverse effects on the Group's business, financial condition, cash flow and results of operations.

1.2.8 Vonovia has established a caretaker and craftsmen's organization to insource its on-site support services for which it has recruited a large number of employees. In addition, Vonovia has established an organization that takes care of the residential environment of the residential properties. This insourcing policy has significantly increased and will significantly increase the Group's personnel expenses and other fixed costs and continues to pose a management challenge.

Vonovia provides caretaker services, services in connection with the residential environment and certain craftsmen's services through its own caretaker, residential environment and craftsmen's organization with the objective of improving customer satisfaction and targeting cost savings through savings on value added tax (***VAT***) (*Umsatzsteuer*) and on margins previously charged by third-party providers. The caretaker organization performs traditional caretaker tasks but is also responsible for local quality management and coordination. The craftsmen's organization is responsible for maintenance, repairs and other services like modernization works. The increase in headcount since the establishment of the Company's own organizations for the services described above, has led to a rise in personnel expenses and other fixed costs and will continue to negatively affect such fixed costs in the future. In addition, as part of completed takeovers, Vonovia has added a number of caretakers and craftsmen from the acquired companies and established an organization that takes care of the residential environment of the residential properties, *e.g.* the maintenance of green and paved spaces. Further, the insourcing of personnel has placed and may continue to place a strain on the Group's management and administrative, operational and financial infrastructure. The Group's ability to manage its operations and growth requires the continuous improvement of operational, financial and management controls, reporting systems and procedures. Additionally, if, as a result of business or economic conditions, Vonovia was to scale down its business operations, it would be substantially more difficult for the Group to reduce its headcount than to reduce the services provided by third-party contractors. Moreover, personnel expenses may rise further in the future, if Group companies that are currently exempt from collective bargaining agreements were to be subject to collective bargaining agreements in the future. Furthermore, Vonovia's is currently not contributing to the fund of the construction industry, as the services provided are non-commercial and are qualified as exclusively intra-group services. If this qualification were to change, Vonovia could become required to make payments to such social insurance funds, including with retroactive effect, as a result of which the relevant personnel expenses would increase significantly. Any of these circumstances could result in higher costs than expected. Vonovia may not be able to compensate for these increased costs by generating the targeted savings.

The quality of services rendered by the Group's own employees could fall below the level of the services previously performed by third-party contractors and reduce the attractiveness of the Group's properties. Moreover, if services rendered by the Group's craftsmen's organization are not performed as scheduled or if the quality of work falls below applicable standards, Vonovia may face claims from its tenants or may not be in a position to re-let vacant units that require maintenance and modernization before new tenants can move in. Since these tasks are performed within the Group, Vonovia will not be in a position to claim compensation for damage from third parties resulting from non-performance or improper performance by the Group's craftsmen's organization.

1.2.9 The Group may not achieve its sustainability goals, particularly those related to climate protection.

Vonovia has set itself the goal of sustainable and future-oriented housing design, based on value retention and the long-term development of the value of the property portfolio. In particular, Vonovia's sustainability efforts include specifically set climate protection goals as well as social goals, such as creating affordable housing, achieving diversity targets or complying with minimum standards for working conditions and human rights in the supply chain. These sustainability goals are also reflected in various national and international sustainability ratings and benchmarks which Vonovia participates in and is evaluated on. For instance, on August 5, 2021 Sustainalytics, an environmental, social and governance research, rating and data firm, ranked Vonovia third among 1001 rated real estate companies. Since 2020, Vonovia has been a member of various sustainability indices, such as the "DAX 50 ESG", the "EURO STOXX 50 ESG" and the "Dow Jones Sustainability Index Europe".

One of the climate protection goals that Vonovia has set for itself is a reduction in CO_2 emissions from real estate. In particular, the building stock is to be made climate-neutral by 2050 through energy-efficient refurbishment and CO_2-neutral heat generation. Vonovia intends to achieve this goal by modernizing its building stock by an average rate of approximately 3% per year. In addition, Vonovia has clear targets for energy efficiency and sustainability for any new constructions. In order to meet its targets, Vonovia is allocating investments accordingly and may not be able to achieve its IRR requirements for such investments at the same time.

Further, Vonovia also focuses on certain social issues, such as community development and contributing to sustainable urban development, living at fair prices and providing needs-based housing. In this context, the Group has established the Sustainability Performance Index (***SPI***) as a new performance indicator to make specific targets measurable. The SPI takes into account factors such as the annual reduction in CO_2 intensity per square meter, the energy efficiency of new buildings, employee satisfaction, the proportion of female managers and diversity in the Company's top management, the proportion of accessible apartments in newly rented apartments and customer satisfaction.

If any of these targets are not met, for example because building modernization does not lead to sufficient reductions in energy consumption, because new construction targets are missed, or because the potential technical progress for reducing emissions is not exploited, this would be reflected in the SPI and could damage the Group's reputation. Furthermore, failure to achieve or comply with one or more of the sustainability goals could result in the Company being downgraded in one or more sustainability ratings or benchmarks or losing one or more of its environmental, social and governance (***ESG)*** ratings, which in turn could have a material adverse effect on the Company's and the Group's reputation. In turn, and in light of the increasing focus of market participants and lenders on sustainability and "green financing", this could have a negative impact on the Company's refinancing and access to further financing, for example via the capital market or by taking out loans, and on financing terms. If the Group fails to meet expectations and trends related to sustainability aspects in a timely manner or at all, there could be a decline in demand from tenants. This could also lead to investors not investing or no longer investing in the Shares.

From a regulatory perspective, failure to achieve the sustainability goals may also have a negative impact on the Group. For example, the introduction of a CO_2 levy or other tightening of regulatory requirements in connection with sustainability could directly or indirectly increase the Company's costs.

1.2.10 In addition to residential property management and income from the sale of the "Non-core" property portfolio, the Group's business includes single unit sales ("Recurring Sales"), which may result in some units of the developed condominiums remaining unsold. The unsold units may require greater administrative resources and may lead to additional expenses and other negative consequences for the Group.

As part of its business strategy and outside of its development business, Vonovia selectively sells individual residential units to owner-occupants or small capital investors in single unit sales. In general, individual residential units can be sold at a premium compared to bulk sale prices of residential properties and at prices exceeding their Fair Value. In executing these sales, Vonovia sells individual units but not necessarily all units within a building.

Management of partially sold properties may require greater administrative resources than the management of units in properties entirely owned by the Group. For example, owners of units in a residential property may decide on measures which concern the property as a whole by majority vote at the owners' assembly convened by the facility manager. If Vonovia sells only individual units in a property it currently owns, it may lose its ability to control decision-making and could be forced to accept decisions, and financially support their implementation, which are passed by the owners of other units in the relevant property with respect to property management, such as the performance of maintenance and modernization, which may be unreasonable from the Group's economic perspective and may result in the incurrence of additional costs. This could adversely affect the Company's profitability.

1.2.11 Vonovia may not be able to identify or realize project developments within the originally envisaged budget and timeline or at all, in which case it could incur a loss on such projects.

Vonovia is engaged in real-estate project developments. In the nine-month period ending on September 30, 2021, Vonovia's development business accounted for EUR 79.8 million of the Company's Adjusted EBITDA Total.

As a project developer covering the entire value chain for project developments, Vonovia faces risks at all stages of the development process and many of these may only materialize after Vonovia has already invested significant resources.

Vonovia will, however, only be able to develop new projects and create the envisioned project pipeline if it can identify and acquire land plots or properties suitable for redevelopment or conversion that are located in Vonovia's targeted regions, meet its target criteria and can be acquired at a reasonable price. There is, however, no guarantee that a sufficient number of suitable development opportunities will be available in the future and that Vonovia will be able to identify them. If municipal authorities or public owners of real estate chose to limit their sales of such real estate to private investors (*e.g.* to increase the number of public housing developments), this could significantly decrease the number of available development opportunities. In addition, Vonovia faces strong competition for such opportunities from other project developers, including multi-regional developers. Such competition may drive acquisition prices to levels at which identified opportunities become unattractive to Vonovia.

The vast majority of prospective homeowners, individual investors and institutional investors who purchase Vonovia's residential units finance their acquisitions through debt funding, in particular loans secured by land charges (*Grundschulden*). Consequently, demand for Vonovia's project developments also depends on the availability of such funding. Positive economic developments and a rise in inflation could encourage the European Central Bank to raise reference rates from currently historically low levels. Conversely, negative economic developments, such as increased unemployment rates, could adversely affect the demand for Vonovia's development projects.

Due to the inherent uncertainties of the development process, there is no guarantee that Vonovia's project developments will be profitable. For example, there could be delays or increased costs associated with construction plans, building permits or environmental approvals. Vonovia may not be able to complete the construction process on time and within budget for these or other reasons. At the same time, it can only start the marketing process after creating the required legal framework. Consequently, delays at any step along the entire value chain can adversely affect other stages of the development process. While Vonovia focuses on residential real estate, its project developments will often also include commercial areas (*e.g.* retail space or smaller office areas). Occasionally, Vonovia may even engage in project developments primarily comprising commercial real estate, and has less experience with such projects, which further increases the risk that Vonovia will be unable to complete them as originally planned.

Delays in the development process may result in increased costs, which Vonovia may not be able to pass on to purchasers, in particular with regard to properties that have already been sold, and Vonovia may not be able to generate a return on its investments during periods where the development process is interrupted. In addition, purchasers may have the right to withdraw from their purchase agreements if Vonovia fails to deliver its properties on time and free of material defects. Given that Vonovia seeks to agree on significant purchase price advances, such withdrawals may result in substantial repayment obligations and even require Vonovia to pay contractual penalties. Furthermore, Vonovia may face damage claims for failure to fulfill its obligations. The risk of not being able to complete project developments on time and within the originally envisaged budget is the greatest risk that Vonovia faces in this context and may result in Vonovia incurring losses on its development activities.

1.2.12 Vonovia may not be able to identify and properly address, or take recourse for, all risks associated with the development opportunities it acquires.

Vonovia generally conducts a due diligence investigation of its acquisition opportunities, in particular with respect to legal, financial, tax, technical and environmental risks. The information provided during such investigation may, however, be inaccurate or misleading. In addition, Vonovia may not be able to identify all risks associated with development opportunities it acquires, such as structural, technical and environmental defects as well as negative tax implications, the validity of required permits and compliance of previous owners with the conditions imposed by such permits. Some of the defects or damages may be hidden, and Vonovia may not be in a position to carry out all investigations, inspections and appraisals. Moreover, the current situation and future development of neighboring properties may adversely affect the attractiveness of Vonovia's project developments. Therefore, Vonovia may fail to recognize, evaluate and address, or may not be able to address, these risks appropriately, in which case it may overvalue development opportunities.

Vonovia is not always able to obtain warranties from the respective seller of a property it acquires, and even if it can obtain them, such warranties might not cover all risks, or the coverage might be limited to certain amounts. In addition, the relevant warranties may expire or otherwise prove unenforceable, in particular, in the case of insolvency of the respective seller. Consequently, Vonovia may not be able to take recourse against the seller of a property or any other third party for defects or damage associated with development opportunities it acquires. If Vonovia fails to identify risks associated with such opportunities and is not able to take recourse against the respective seller for such defects, it may incur substantial costs to remedy the respective defects, which may prevent it from completing the relevant project development profitably, or at all.

1.2.13 Vonovia depends on third-party contractors to develop and construct its projects and it may not be able to hire qualified contractors who perform the actual construction work on time, and such third parties may fail to fulfil their obligations.

Vonovia commissions various services *(e.g.* the architectural design and concept design), in particular as required for the realization of its project developments, but also in connection with maintenance and modernization measures, and either hires third-party suppliers and contractors to provide the materials as well as the construction or maintenance work or employs a general contractor to handle the construction or maintenance process. Due to the significant competition in the German residential real estate industry, particularly in key metropolitan regions, qualified and reliable contractors are in great demand and especially hard to find at short notice. If Vonovia is not able to find and hire qualified and reliable contractors for its project developments at acceptable terms, it may not be able to complete projects in time and with the required quality. A continuation of this trend could significantly increase competition for suitable contractors, driving up prices for their services, and there is no guarantee that Vonovia will be able to pass on such higher prices to its customers.

Furthermore, if third parties involved in Vonovia's project developments fail to provide their services in a timely and/or adequate manner (*e.g.* due to labor, equipment or materials restraints, financial difficulties, reduced availability as a result of increased demand or significant accidents and other incidents at a construction site), Vonovia may be required to source these services at a higher price than originally anticipated and may face delays at its project sites until it is able to identify suitable replacements. For example, global developments or regional calamities can negatively affect the supply of certain materials and products and lead to fluctuations in the prices for materials and products. Any such delays or deficiencies could adversely affect Vonovia's profitability and cash flows, given that Vonovia will not be able to pass on increased costs to its customers, and may be liable to them or other third parties for damages resulting from project delays. In addition, Vonovia's contractors may fail to meet its standards with respect to health, safety and environmental regulations, labor laws, in particular regarding illegal employment (*Schwarzarbeit*) and minimum wages, as well as other applicable laws and regulations, which might expose Vonovia to liability.

1.2.14 Damage to the Group's reputation and inadequate customer satisfaction may result in reduced demand for the Group's residential units and may make it more difficult for the Group to raise capital on favorable terms or at all.

If the Group is unable to maintain its reputation and high level of customer service, customer satisfaction and demand for its services and properties could suffer. In particular, a deterioration in the reputation of real estate companies in general, for instance resulting from a perceived perception or political sentiment, and Vonovia in particular could make it more difficult to let its residential units and could lead to delays in rental payments or the termination of rental contracts by its tenants. Any harm to the Group's reputation due to its inability to meet customer service expectations could limit the Company's ability to retain existing and attract new customers.

Furthermore, harm to the Group's reputation could impair the Group's ability to raise capital on favorable terms or at all, have other adverse effects on investor relations or even cause financial damage to the Group in case of demolition of the Group's assets and property through riots, sabotage or targeted vandalism (*e.g*. burning cars, smashed windows).

1.2.15 The Group's information technology systems could malfunction or become impaired.

The Group's information technology systems are essential for the Company's business operations and success. Any interruptions in, failures of or damage to its information technology systems, such as the Group's SAP software or its voice-over-internet protocol (***VoIP***) telephone system, could lead to delays or interruptions in the Group's business processes. In particular, the Group's information technology systems may be vulnerable to security breaches and cyber-attacks from unauthorized persons outside and within the Group. Any malfunction or impairment of the Group's computer systems, including the infrastructure for the use of these systems by way of home office solutions, could interrupt its operations, including its monitoring, controlling and reporting operations, which may result in increased costs, potentially lost revenue and lower income. If Vonovia's information technology systems were to fail and back-ups were not available, Vonovia would have to recreate existing databases, which would be time-consuming and expensive and could potentially not succeed. Vonovia may also have to expend additional funds and resources to prevent or remedy potential or existing security breaches and related consequences. Vonovia cannot guarantee that anticipated or recognized malfunctions can be avoided by appropriate preventive security measures in every case.

1.3 Risks Related to the Deutsche Wohnen Transaction

1.3.1 The integration of Deutsche Wohnen may neither be successful nor proceed as planned and may involve higher costs than expected or require more resources than initially planned.

On September 30, 2021, the Company acquired control of Deutsche Wohnen and, as a consequence of the Deutsche Wohnen Transaction, Deutsche Wohnen will be integrated into Vonovia. The integration is expected to take several years and may require considerable human and financial resources in terms of time and attention by both companies' managements. If integration issues divert management from other responsibilities, Vonovia's business could be adversely affected. Vonovia and Deutsche Wohnen have incurred and expect to continue to incur a number of non-recurring expenses associated with the Deutsche Wohnen Transaction and the integration of Deutsche Wohnen's operations in the Group, which could be significant. These include financial advisory, legal, accounting, consulting and other advisory fees and expenses. Both companies depend on their executives and employees for the successful integration and implementation of a joint strategy. Should the companies be unsuccessful in retaining theses employees, this could impede the efficient integration. In particular, know-how of managerial staff and employees could be lost, which could lead to business disruptions. Successful integration will also require that both employee bases be merged, different corporate cultures combined, IT systems harmonized, and common processes established for the integrated group. Furthermore, integration may have adverse effects on the contractual or legal positions of both, Deutsche Wohnen and Vonovia.

1.3.2 The synergies and economies of scale expected by the Company's management in connection with the integration of Deutsche Wohnen may not be realized, or only realized to a lesser extent, or achieving these may cost more than planned.

Through the Deutsche Wohnen Transaction, Vonovia intends to strengthen its position as one of the leading European residential real estate companies. The Company expects that the Deutsche Wohnen Transaction and the combination of both portfolios will result in diverse synergies and economies of scale. In particular, the Company expects that these synergies will mainly result from the joint operational management of the portfolio and the merging of overhead functions, from the intensified implementation of Vonovia's value-add strategy in the Deutsche Wohnen Portfolio, from lower costs due to the provision of additional services by Vonovia's own craftsmen's organization, as well as from joint purchasing and further standardization in modernization and maintenance. The Company cannot rule out, however, that expected synergies and economies of scale will not be realized at all or will not be realized to the extent originally planned. In addition, the costs required to achieve these synergies may be higher than anticipated.

Furthermore, Deutsche Wohnen's portfolio may not develop as originally expected in its evaluation by Vonovia. Such potential synergies also involve goodwill that may be recognized. Any goodwill to be actually accounted for by the Company depends on a variety of factors, such as the actual amount of Deutsche Wohnen's net assets. Any such goodwill that was recognized is subject to regular impairment tests and, if synergy effects turn out to be lower than expected, may be significantly impaired and such impairment would have to be recognized in the Group's consolidated income statement. These and other factors may have material adverse effects on the net assets, financial position and results of operations of the Group and may adversely affect the economic results of the Deutsche Wohnen Transaction.

1.3.3 The Company's strategic objectives and operational targets for the Deutsche Wohnen Transaction are based on certain assumptions and estimates by Vonovia's management that may prove inaccurate, including the ability to benefit from the synergies, as well as future macroeconomic and market developments.

Vonovia's strategic objectives, synergy and other operational targets and earnings impact expectations with respect to the Deutsche Wohnen Transaction are based on certain assumptions and estimates by Vonovia's management that may prove inaccurate, including, in particular, as regards (i) the realization of economies of scale through the joint management of both portfolios and joint purchasing, (ii) the development of additional value creation through combination with Deutsche Wohnen by intensifying the implementation of its value-add strategy, *i.e.* by expanding the range of customer-oriented services closely related to the rental business as well as (iii) future macroeconomic, market and regulatory developments. For example, from a longer-term perspective there is a risk that the housing market may not grow in size, or not grow as predicted, and that other market participants could increase competition and render profit margins less attractive than anticipated. Moreover, it cannot be excluded that changes in the regulatory framework or political decisions may lead to adverse effects on the net assets, financial position and results of operations of the Company. Should any of the assumptions of Vonovia's management prove inaccurate, this could lead to the business combination with Deutsche Wohnen falling short of Vonovia's synergy forecast and other forecasts and the expectations of market participants.

If the Company's strategic objectives, operational targets and earnings impact expectations with respect to the Deutsche Wohnen Transaction are not met, or not met in full, or take longer to realize than expected and the Deutsche Wohnen Transaction turns out not to be accretive to the Company's core earnings per share to the expected extent or within the expected timeframe or at all, this could negatively affect the market price of Vonovia's share and future dividend payments. In addition, no assurance can be given that a corresponding benefit will be available to offset the costs, including transaction and integration costs, incurred by the Company in connection with the Deutsche Wohnen Transaction. The integration of two companies of considerable size entails considerable challenges. Therefore, the contemplated synergy effects may prove impossible to realize, in whole or in part.

1.3.4 The Company was not able to access important documents of Deutsche Wohnen before the voluntary takeover offer for Deutsche Wohnen, meaning that there may be unknown circumstances that are of material importance for the evaluation of Deutsche Wohnen.

Prior to the voluntary takeover offer for Deutsche Wohnen, the Company was unable to inspect important documents of Deutsche Wohnen (due diligence), but had to rely on publicly available information, information from the Deutsche Wohnen management board and its industry knowledge. The Company cannot rule out the possibility that material circumstances important for the valuation of Deutsche Wohnen are not publicly known or have not been disclosed by the Deutsche Wohnen management board and have therefore not been included in the valuation of Deutsche Wohnen to determine the amount of the cash component of the Deutsche Wohnen Transaction. Should material circumstances become known for the valuation of Deutsche Wohnen, this could have a significant negative impact on the group's net assets, financial position and results of operations and lead to a worsening of the economic consequences of the Deutsche Wohnen Transaction.

1.3.5 The acquisition of shares in Deutsche Wohnen by the Company may have resulted in a loss of all tax loss and interest carry-forwards of Deutsche Wohnen.

As of December 31, 2020, the companies of Deutsche Wohnen reported corporate income tax loss carry-forwards of EUR 1.48 billion and trade tax loss carry-forwards of approximately EUR 1.31 billion. The consolidated balance sheet as of December 31, 2020 shows deferred tax assets for loss carry-forwards in the amount of EUR 271.6 million, with no deferred tax assets being recognized for corporate income tax loss carry-forwards of EUR 563.2 million and trade tax loss carry-forwards of EUR 429 million. As of December 31, 2020, the companies of Deutsche Wohnen had interest carry-forwards in the amount of EUR 90.3 million, for which no deferred tax assets are recognized. The Deutsche Wohnen Transaction resulted in the loss of significant tax loss carry-forwards, interest carry-forwards and current tax losses (if any) of Deutsche Wohnen.

1.3.6 The acquisition of shares in Deutsche Wohnen by the Company could have an impact on the tax deductibility of interest expenses, which could lead to a higher tax burden.

In the ordinary course of business, the companies of the Group have entered into numerous financing transactions with third parties, including, for example, the financing of acquisitions of real estate portfolios. These debt financing arrangements require the payment of principal and interest. In the various tax jurisdictions in which the companies of the Group are resident or operate, the tax deductibility of interest expenses may be limited.

The Company's acquisition of shares of Deutsche Wohnen as well as capital and financing measures at the level of the Company may result in increasing amounts of interest expenses of companies of the Group that are no longer tax-deductible. This may subsequently lead to a higher tax burden and thus have material adverse effects on the Group's net assets, financial position and results of operations.

1.3.7 The Deutsche Wohnen financing agreements, instruments or other agreements of Deutsche Wohnen could contain provisions that are triggered by the Deutsche Wohnen Transaction and, possibly, make a significant refinancing of the Deutsche Wohnen financing agreements necessary or lead to a loss of benefits from the other agreements.

The Deutsche Wohnen financing agreements amount to EUR 11,983.7 billion as of September 30, 2021. Deutsche Wohnen financing agreements, instruments or other agreements of Deutsche Wohnen may contain change-of-control provisions that provide for special prepayment obligations of the relevant issuer belonging to Deutsche Wohnen or termination rights of holders, in the event of a change of control related to the implementation of the Deutsche Wohnen Transaction.

Moreover, Deutsche Wohnen financing agreements, instruments or other agreements of Deutsche Wohnen may contain other termination rights that are triggered in connection with, or as a result of, the Deutsche Wohnen Transaction (*e.g.* cross-default provisions, which allow holders to call for repayment of Deutsche Wohnen financial liabilities or instruments or to terminate Deutsche Wohnen financing agreements, instruments or other agreements of Deutsche Wohnen if other liabilities of Deutsche Wohnen are not paid when due or are called for repayment before their scheduled maturity, or if holders are entitled to declare their claims due and payable).

In the event of existing termination rights, it cannot be ruled out that individual banks or other lenders may wish, or be required, to terminate existing Deutsche Wohnen financing agreements following September 30, 2021, the date on which the Company acquired control of Deutsche Wohnen, and exercise such termination rights for these or other reasons. If Deutsche Wohnen financing agreements or instruments are terminated or otherwise due for repayment, the Company would refinance Deutsche Wohnen to the extent necessary. For this purpose, the Company may draw down additional funds under its bridge facilities agreement for refinancing Deutsche Wohnen's liabilities. In this case, the Company may have to accept less favorable terms for refinancing itself. Furthermore, in the event that Deutsche Wohnen financing agreements or instruments are terminated or otherwise due for repayment, Deutsche Wohnen may have to pay an early repayment premium. To the extent that other agreements of Deutsche Wohnen are terminated under existing termination rights, Deutsche Wohnen may lose available benefits under these agreements.

In addition, if Deutsche Wohnen financial instruments are called for repayment before their maturity, this may also result in cross default and, consequently, in termination options under financial liabilities of the Company. In this case, the Company may have to accept less favorable terms to obtain refinancing.

1.3.8 As a result of the Deutsche Wohnen Transaction, Vonovia may face the risk that the Group's risk profile may shift, which could result in it being exposed to additional risks associated with Deutsche Wohnen's business activities to which Vonovia was not previously exposed, some of which may still be unidentified or cannot yet be assessed conclusively.

Vonovia believes that it may face increased or additional risks principally in the areas described below as a result of the Deutsche Wohnen Transaction. The following discussion is not meant to be exhaustive and, in addition, other risks and unexpected risks may arise that Vonovia is currently unaware of or unable to assess:

- Deutsche Wohnen's business field of nursing and assisted living (Nursing and Assisted Living) is particularly dependent on attracting a significant number of qualified employees for its nursing home facilities. In addition, there is increasing competition in the growing market for the care of elderly, which may have adverse effects on the numbers of job seekers in this area and the wage expectations of potential future employees. The business activities related to Nursing and Assisted Living are particularly sensitive to reputational risks as a result of non-compliance with quality requirements applicable in the sector. Moreover, it is possible that Deutsche Wohnen will be unable to retain existing qualified employees at attractive terms or not at all in the future. If efforts to recruit and retain employees at attractive terms fail, this could significantly impair the Company's growth strategy, particularly in Deutsche Wohnen's business field of Nursing and Assisted Living, and have a material adverse effect on net assets, financial condition and results of operations on Deutsche Wohnen.
- Furthermore, the business field Nursing and Assisted Living is currently subject, in particular, to the provisions of Books XI and XII of the German Social Security Code (*Sozialgesetzbuch*), the Nursing Home Act (*Heimgesetz*), complementary state legislation and the law relating to accommodation and care contracts (*Wohn- und Betreuungsvertragsgesetz*). These statutes govern, among other things, the remuneration scheme for nursing and retirement home contracts, the goods and services needed for basic care and housekeeping care for which the nursing care insurance (*Pflegeversicherung*) or other institutions pay reimbursement, and cost reimbursement. In developing its fee schedule, Deutsche Wohnen is required to comply with these legal mandates and cannot, therefore, exercise unfettered discretion in the structuring of fees. For example, fee increases – insofar as they can be implemented in the regional market – must be approved by or, as the case may be, negotiated with the reimbursing entities (nursing care funds or social welfare funding bodies). If a requested fee increase is not approved, it might be impossible to increase fees, or possible only by way of protracted administrative proceedings. Should Deutsche Wohnen be unable to increase its fees to the extent necessary for business reasons, this may have a material adverse effect on Deutsche Wohnen's net assets, financial condition and results of operations.

- Moreover, legislative authority relating to nursing homes, which applies to the retirement and nursing home sector, was transferred from the federal government to the state governments in 2006. All German states have enacted their own nursing home statutes to date. As state-specific nursing home laws develop, the Company expects – also with a view to future amendment to nursing home laws - that there will increasingly be different standards for the operation of retirement and nursing homes, and it is possible that new regulatory framework conditions may lead to higher costs and have a negative impact on the business field Nursing and Assisted Living. Moreover, laws governing health and welfare may be changed by other reforms. This may result in increased costs for the care of long-term care patients that might no longer be borne by the nursing care funds. In addition, home-based care and services provided by relatives and other volunteer caregivers have been strengthened through various measures as a result of the German Care Realignment Act of 2013 (*Pflege-Neuausrichtungs-Gesetz*). Home-based care and services provided by relatives are lately being and could further be encouraged in the future with additional reforms. Effective as of January 1, 2015, the First Care Support Act (*Erstes Pflegestärkungsgesetz*) is designed to strengthen and to promote the home-based care situation with additional financial means and improved respite care (*Verhinderungs- und Kurzzeitpflege*) which could reduce the need for retirement homes and, respectively, assisted living and nursing homes. The Second Care Support Act (*Zweites Pflegestärkungsgesetz*), effective as of January 1, 2017, introduced a new definition of the concept of the need for long term care and a new assessment procedure, in particular to help dementia patients in need of care by granting equal access to the benefits of long-term care insurance, which could further reduce the need for retirement homes and, respectively assisted living and nursing homes. Deutsche Wohnen's planned growth in the business field Nursing and Assisted Living may therefore be more difficult to achieve as a result, or even prevent altogether, which may result in a material adverse effect on the net assets, financial condition and results of Deutsche Wohnen.

- Following the Deutsche Wohnen Transaction, the Group's real estate portfolio in Berlin increased significantly thereby subjecting the Group to particular concentration risks in Berlin, including risks in connection with citizens' initiative (*Bürgerinitiative*) in Berlin calling for the expropriation of large existential real estate companies (also see "*1.6.8 Vonovia may be affected by an initiative in Berlin calling for the expropriation of large residential real estate companies.*").

- Vonovia could be exposed to risks relating to Deutsche Wohnen's development business. In August 2020, Deutsche Wohnen acquired a 40% stake in QUARTERBACK Immobilien AG (***QUARTERBACK***), a project development service provider which holds its own portfolio of development projects. The business of QUARTERBACK, including operational and financial risks associated with such business, was, as it was not fully consolidated, not yet fully reflected in the financial statements of Deutsche Wohnen as of December 31, 2020. In February 2021, Deutsche Wohnen and QUARTERBACK entered into a framework agreement pursuant to which services in connection with project developments, which in the past had been provided by Deutsche Wohnen, will be provided by QUARTERBACK in the future. In addition, Deutsche Wohnen has and expects to continue to purchase development projects from QUARTERBACK. Deutsche Wohnen and QUARTERBACK face various risks in connection with the development of real estate projects. For example, for certain project developments there is no legal basis (in particular no development plan (*Bebauungsplan*)) for building approvals yet and there is a risk that the adoption of such legal basis, in particular the related planning approval process, may be delayed. Other uncertainties inherent to the development process include potential incorrect market and competitive assessments, including in relation to rent expectations in particular in connection with the properties already sold to Deutsche Wohnen, incorrect location and project development plans, contamination risks, requirements linked to preservation orders or environmental requirements and warranty issues. Construction defects or defective construction materials or structural components can give rise to further risks due to which the development projects might not be profitable.

- Furthermore, Deutsche Wohnen and QUARTERBACK are dependent on third-party contractors to provide construction and other services for the realization of their development projects. Outsourced services include architectural and technical design, concept design and construction. Due to the competitive environment in the German construction sector, particularly in Germany's key metropolitan areas, qualified and reliable construction partners are in great demand. If QUARTERBACK is unable to find or hire qualified and reliable contractors for any of its development projects, the successful and timely completion of projects or with the required quality is at risk. In addition, third party contractors can be adversely affected by economic downturns or poor management decision. QUARTERBACK may hire a contractor that subsequently becomes insolvent, causing cost overruns and project delays and increasing risk that QUARTERBACK will be unable to recover costs in relation to any defective work performed by such contractor.
- Moreover, QUARTERBACK's development business might become impaired due to the Deutsche Wohnen Transaction. This might be caused by a perceived public or political sentiment against large real estate groups, which could make it more difficult to find investors for the real estate projects in QUARTERBACK's development pipeline and other reputational risks for the Group.

1.3.9 Minority shareholders may prevent or disrupt future measures at the level of Deutsche Wohnen that could have positive effects on Deutsche Wohnen and thus also on the shareholders of the Company.

Under German law, minority shareholders have certain rights which may result in delays or disruptions of potential corporate measures, such as a change of legal form, squeeze-out, conclusion of a domination and profit and loss transfer agreement, or merger. Minority shareholders may be able to disrupt, delay or even prevent the implementation of any such measures. In connection with the Deutsche Wohnen Transaction, minority shareholders of Deutsche Wohnen may prevent, delay or disrupt future measures of the Group at the level of Deutsche Wohnen. Such delays or disruptions to corporate measures and any related legal disputes may limit the Company's access to cash flows of Deutsche Wohnen (being a member of the Group) and may make it more difficult or even impossible to implement corporate measures that might become desirable for operational or financial reasons of Vonovia.

1.3.10 The pro-forma financial information prepared by Vonovia is subject to significant limitations and may not necessarily reflect what Vonovia's financial position and results of operations would have been, had the integration and consolidation of Deutsche Wohnen already taken place and may not be indicative of the financial positions and results of operations that Vonovia will achieve in the future.

The Company has prepared pro forma financial information in accordance with Commission Delegated Regulation (EU) 2019/980 of March 14, 2019 to illustrate certain effects of the Deutsche Wohnen Transaction (the ***Pro Forma Financial Information***). Based on information available at the time of the preparation of the Pro Forma Financial Information, certain adjustments were made to Deutsche Wohnen's financial information which included the re-classification of certain line items. In connection with these adjustments, certain assumptions were made, all of which are reflected in the notes to the Pro Forma Financial Information.

The business combination related adjustments for the Deutsche Wohnen Transaction considered in the Pro Forma Financial Information were prepared using the acquisition method of accounting for the business combination in accordance with IFRS 3 (Business Combinations). Due to its nature, the Pro Forma Financial Information describes only a hypothetical situation and neither reflects the actual net assets, financial position and results of operations of Vonovia after completion of the Deutsche Wohnen Transaction nor does it indicate the future development of the net assets, financial position and results of operations of the Company. Furthermore, the Pro Forma Financial Information does not reflect future exceptional charges resulting from the Deutsche Wohnen Transaction or future events that might occur, including restructuring activities or other costs related to the integration of Deutsche Wohnen, and does not consider potential impacts of current market conditions on the results of the operations.

As a result of the factors described above, investors should not place undue reliance on the Pro Forma Financial Information. In particular, the Pro Forma Financial Information may not be indicative of the financial position and results of operations that the Company will achieve in the future.

1.4 Risks Related to the Valuation of the Group's Properties

1.4.1 Real estate valuation is inherently subjective, subject to uncertainties and based on assumptions which may prove to be inaccurate or affected by factors outside the Group's or an external valuer's control and Vonovia may be required to adjust the current fair values of its investment properties and the values assigned to the appraised properties may not correspond to the achievable sales prices.

The valuation reports in relation to the Vonovia Portfolio included in this Prospectus as at June 30, 2021 and December 31, 2020, as applicable, (the ***Vonovia Valuation Reports***) were prepared by the independent external valuers CBRE GmbH, Große Gallusstraße 18, 60312 Frankfurt am Main, Germany, (***CBRE***) and Savills Sweden AB, Regeringsgatan 48, 111 56 Stockholm, Sweden (***Savills)*** in accordance with the Royal Institution of Chartered Surveyors' (***RICS***) "Valuation – Global Standards (2020)" (the ***Red Book***) incorporating the International Valuation Standards (***IVS***), and IAS 40 in conjunction with IFRS 13. The Vonovia Valuation Reports were prepared with the valuation dates of December 31, 2020 and June 30, 2021, respectively, and hence, the Vonovia Valuation Reports do not include properties of Deutsche Wohnen.

Furthermore, the valuation report in relation to the major part of the Deutsche Wohnen Portfolio included in this Prospectus as of December 31, 2020 (the ***Deutsche Wohnen Valuation Report***, and together with the ***Vonovia Valuation Report***, the ***Valuation Reports***) were prepared by the independent external valuer Jones Lang LaSalle SE, Bockenheimer Landstraße 55, 60325 Frankfurt am Main (***JLL*** and, together with CBRE and Savills, the ***Valuers***) in accordance with the RICS Red Book incorporating IVS and IAS 40 in conjunction with IFRS 13. The Deutsche Wohnen Valuation Report was prepared with its valuation date December 31, 2020.

The fair values (as defined by IFRS 13) of the individual properties were principally determined using the discounted cash flow (***DCF***) methodology (***DCF Methodology***). Thus, the Valuation Reports are based on standard valuation principles and represent the opinion of the respective independent appraiser. The Valuation Reports are based on assumptions that could subsequently turn out to have been incorrect. Data provided by the Group and used in the Valuation Reports were examined and verified for plausibility on a random sampling basis.

The valuation of real estate is based on a multitude of factors that also include the Valuer's subjective judgment. These factors include, for example, the general market environment, conditions in the rental market, the quality of the location market-based yields, the existence of willing buyers, title to the property, condition of structure and services, deleterious materials, environmental matters, statutory requirements and planning, expected future rental revenues from the property and other factors. In respect of properties which may require development, redevelopment or refurbishment, the development considered achievable, assumed timescale, the assumed future development costs and an appropriate finance rate and profit rate and/or discount rate are also used to determine the property value together with market evidence and recent comparable properties where appropriate.

The valuation of real estate contained in the Valuation Reports is therefore subject to numerous uncertainties. The past or future assumptions underlying the property valuations may later be determined to have been erroneous. Market developments can also have a significant impact on the assumptions on which the valuation is based and can thus affect a future valuation of the properties. Market developments that are disadvantageous for the Group could thus lead to a devaluation of the properties.

The values assigned to the appraised properties in the Valuation Reports and in the Group's existing or future published annual or interim financial information may exceed the proceeds that the Group can actually generate from the sale of the appraised properties. This could also be the case for sales that occur on, or shortly after, the valuation date. Accordingly, valuation reports do not necessarily represent future or current achievable sales prices of the Group's properties or property portfolio.

Real estate valuation is inherently subjective, subject to uncertainties and based on assumptions which may prove to be inaccurate or affected by factors outside the Group's or an external valuer's control, such as the general development of the market. If any of the information or assumptions on which a valuation is based are subsequently found to be incorrect, the valuation figures may also be incorrect and may have to be reconsidered. In connection with the acquisition of property portfolios and upon occurrence of other unforeseeable events, this could result in the Group being unable to achieve its expected returns.

1.4.2 If interest rates change, the market conditions deteriorate or the Group's rent levels or vacancy rates develop unfavorably, Vonovia may be required to adjust the current Fair Values of its investment properties and to recognize significant losses.

Vonovia values its investment properties (*i.e.* properties that are held for the purpose of earning rental income, for appreciation or both and are not used by the Group) at Fair Value in accordance with IAS 40 in conjunction with IFRS 13. The Group principally uses the DCF Methodology, under which the expected future income and costs associated with each property are generally forecast over a 10-year period and discounted as net present value to the valuation date. To determine the forecasted cash flows, various parameters such as market rents, expected rental growth, development of vacancy rates and expected maintenance expenses are taken into account. The market rent is derived for each location from the respective rent index (*Mietspiegel*) and from market data from external service providers. In addition, the terminal value of the property at the end of the 10-year period is determined using the expected stabilized cash flow and again discounted to the valuation date as the net present value. The discount rate applied reflects the market situation, location, type of the property, special property features (*e.g.* leasehold properties (*Erbbaurechte*), rent restrictions), the yield expectations of a potential investor and the risk associated with the forecast future cash flows. If the market situation deteriorates, for example, because interest rates rise or rent levels decrease or vacancy rates increase, Vonovia will have to revise the values of the total portfolio on the consolidated balance sheet downwards.

Any significant negative Fair Value adjustments Vonovia is required to recognize would have significant negative effects on its financial statements and key performance indicators including EPRA NTA as well as the LTV Ratio and thus on its rating or could constitute a breach of financial covenants, each of which could result in increased financing costs and could have material adverse effects on the Group's net assets, financial condition and results of operations.

1.4.3 Vonovia could be exposed to risks from residual pollution including wartime ordnance, soil conditions and contaminants in building materials, as well as possible building regulation violations. Some of the buildings in Vonovia's real estate portfolio are located at mining sites and may suffer damage caused by mining activities.

Properties owned or acquired by the Company may contain soil contamination, hazardous materials, other residual pollution or wartime ordnance. For example, in several of the Group's units, so-called floor-flex plates that contain small quantities of asbestos were used as floor covering. These floor-flex plates contain non-friable asbestos from which asbestos fibers are usually not released without external interference. Except in the event of structural alterations and damage, there is generally no obligation to remove such non-friable asbestos under currently applicable German federal state asbestos regulations

(*Asbest-Richtlinien*). Nevertheless, Vonovia bears the risk of cost-intensive remediation and removal of the aforementioned hazardous materials, other residual pollution, wartime ordnance or soil contamination.

In addition, some properties previously owned by Vonovia, which have been sold in the meantime, were exposed to petrol and chemical soil contamination and Vonovia was required by the competent authorities to carry out on-site remediation of this residual pollution with respect to such properties. The Group has made provisions for the future costs of such remediation measures, but the provisions may prove to be insufficient. The discovery of further residual pollution or risks associated with old wartime ordnance, particularly in connection with the lease or sale of properties, can also trigger claims for rent or purchase price reductions, damages and other breach of warranty claims or lease terminations.

The remediation of residual pollution or wartime ordnance and related additional measures may negatively affect Vonovia and involve considerable additional costs. Vonovia is also exposed to the risk that it may no longer be able to take recourse against polluters or prior owners of the properties. The existence or even suspected existence of wartime ordnance, hazardous materials, other residual pollution or soil contamination can negatively affect the value of a property and the Group's ability to lease or sell such property. Moreover, building components may contain hazardous substances (such as asbestos, polychlorinated biphenyl, dichlorodiphenyltrichloroethane, pentachlorophenol and Lindane), or properties acquired may pose other environmental risks and Vonovia may be responsible for their removal.

The Group's business is also exposed to risks associated with non-compliance with building codes, environmental regulations or industrial safety rules, such as the industrial safety ordinance for elevator systems. These regulations are often implemented retroactively, affecting previously acquired properties. In such cases, Vonovia may be required to modernize existing buildings so that they comply with these stricter standards. Even though the Company conducts inspections in connection with the acquisition of individual properties, there is a risk that building codes or environmental regulations were not complied with.

It is also possible that landlord responsibilities could be further expanded, particularly with respect to fire protection and environmental protection, which could require additional maintenance and modernization measures. In addition, the properties of the Vonovia Portfolio have an average age of approximately 57 years and 67 years in relation to the Deutsche Wohnen Portfolio (age of the buildings as of September 30, 2021, weighted by rental space). This may lead to an additional need for modernization and maintenance measures. The projected costs of such measures are based on the assumption that the required permits are issued promptly and in accordance with the Group's plans. It is possible, however, that the required permits for such measures will not always be issued promptly. If such permits are not issued promptly, or are issued subject to unexpected conditions, substantial delays in addressing the concerns can occur and can result in costs exceeding those projected and reduce residential in-place rents for the relevant properties in the meantime.

As of September 30, 2021, approximately 11,900 of the Vonovia Portfolio's buildings were located in the Ruhr region and the Aachen district – of which approximately 1,600 were located in areas around which mining operations had taken place in the past at a depth of up to 100 meters. Of these 1,600 buildings, Vonovia has, based on a risk evaluation by Vonovia, identified approximately 1,000 buildings as being located at sites which present a risk of future mining-related clean-up costs due to their location.

If mining activities (mining operations) cause damage to anything on the surface (mining damage), the mining operator is, pursuant to the applicable German Federal Mining Act (*Bundesberggesetz*), obliged to pay compensation for that damage.

However, in many cases, it is no longer legally possible to enforce claims against former operators, complete legal succession is unclear or such operators may lack sufficient assets to settle the liability and therefore or due to the fact that Vonovia has waived its claims against some of them, Vonovia may no longer be able to take recourse against them.

Furthermore, when real estate is damaged by past or current underground mining activities in the northern Ruhr area of Germany, the Company's ability to recover the costs of remediation of mining damage to the building which may be incurred or to claim compensation from the relevant mining companies could be impaired by waivers of mining damage claims (*Bergschadensverzichte*) agreed with certain mining companies.

The presence of any mining damage, or the failure to remediate such damage properly, could also adversely affect the Group's ability to sell or lease affected real estate or to obtain financing using the real estate as collateral. It is impossible to completely mitigate the risk of injury to tenants by mining damage, for which the Company may be required to pay compensation. Despite the implementation of a dedicated mining risk management, there remains some small risk.

1.5 Financial Risks

1.5.1 The Group has significant outstanding financial indebtedness, resulting from the issuance of debt instruments and loan agreements, secured by the Group's properties. If a Group company breaches financial covenants or other provisions in existing or future bonds, notes, other financial instruments or loan agreements, security trustees or creditors may seize or realize significant collateral furnished by the Group which would result in the loss of significant assets by the Group.

As of September 30, 2021, the Group's obligations resulting from outstanding financial indebtedness amounted to EUR 47.0 billion at book value. The existing or future holders of bonds or notes issued by the Group and the Group's lenders are entitled to terminate their financing agreements and bonds or notes, as applicable, if Group companies breach material contractual terms and are not in a position to cure such breaches. The terms of the existing loan agreements and of the bonds and notes require, in particular, that the Group complies with certain financial covenants, such as a maximum LTV Ratio, minimum debt-service or interest coverage ratios, a minimum ratio of unencumbered properties and other assets and with restrictions on the sale of properties. A failure to comply with such financial covenants or other material terms of the financing agreements or the bonds or notes may have severe consequences, such as the following:

- the lenders or the bondholders or noteholders and their relevant representatives may have the right to terminate the relevant loan agreement or the bonds or notes, as applicable, and the outstanding amounts may become immediately due and payable;
- other lenders, bondholders or noteholders may be entitled to terminate their financing agreements or bonds or notes, as applicable, with the Group as a result of cross-default or cross-acceleration provisions;
- the lenders may be entitled to extraordinary (partial) prepayments or higher interest rates and the bondholders or noteholders may be entitled to demand from the Group the full or partial redemption of the bonds or notes, as applicable, at their principal amounts including accrued interest; in addition, the Group may be liable for damages, prepayment penalties or other fines; or
- the right of the Company or its subsidiaries to distribute profits and income from the properties which serve as security for the relevant loans may be restricted and may therefore limit the Group's ability to service its other obligations or to distribute profits to its shareholders.

If the bonds, notes, other debt instruments or one or more of other loans of the Group should become due as a result of early termination or cross-default, the Group may be unable to refinance its liabilities as they become due, or may be able to do so only on less favorable terms.

For risks associated to the Deutsche Wohnen Transaction in relation to Deutsche Wohnen financing agreements, such as an event of a change of control, see "*1.3.7 The Deutsche Wohnen financing agreements, instruments or other agreements of Deutsche Wohnen could contain provisions that are triggered by the Deutsche Wohnen Transaction and, possibly, make a significant refinancing of the Deutsche Wohnen financing agreements necessary or lead to a loss of benefits from the other agreements.*".

To secure its financial liabilities, the Group, under certain financing agreements, has provided land charges and mortgages on properties owned by Group companies and has assigned, as security, claims under tenancy and leasing agreements, potential insurance claims and potential claims under real estate sales programs. The Group has also pledged or agreed to pledge shares in certain Group companies as well as bank accounts to lenders. If the Group is unable to perform the obligations under its financing agreements, the Group's lenders may seize and realize collateral, such as real estate, pledged shares and bank accounts, without further negotiations. This may cause the Group to lose parts of its real estate portfolio in a forced sale on economically unfavorable terms. Contractual restrictions limit the right to voluntarily sell properties ahead of a forced sale, which may have an amplified negative effect of such forced sale.

As of September 30, 2021, approximately 10.4% of all residential real estate units of the Vonovia Portfolio and approximately 2% of all residential real estate units of the Deutsche Wohnen Portfolio were built on the basis of leasehold properties (*Erbbaurechte*). The consent of the legal owners is required for registering land charges on these units or for their sale. Although the owners are legally required to grant such consent if and to the extent a requested encumbrance does not exceed a customary level (and in the case of a sale, if the purchaser of the building subject to leasehold properties is able and willing to fulfil the obligations under the leasehold properties), it is difficult and time-consuming to actually obtain these consents or to obtain them to the requested extent.

1.5.2 Changes in the foreign exchange rate between the Euro and the Swedish krona may have material adverse effects on the results of the Group.

Vonovia operates in different countries and is therefore exposed to financial risks that arise from changes in exchange rates. Exchange rate fluctuations may cause losses if assets denominated in currencies with a falling exchange rate lose value, while at the same time liabilities denominated in currencies with a rising exchange rate appreciate. Vonovia's reporting currency is the Euro. However, after recent takeovers, the Company conducts its business also in Sweden. Any change in the exchange rate between the Swedish krona (***SEK***) and the Euro has a direct effect on Vonovia's results of operations and assets and liabilities when amounts are translated into Euro for reporting purposes, and may also have an indirect effect on Vonovia's competitiveness. Changes in the EUR/SEK exchange rate that are unfavorable for Vonovia may have material adverse effects on the Group's business, financial condition, cash flow and results of operations.

1.5.3 Vonovia is dependent on its current corporate investment grade rating to pursue its financing strategy, including the satisfying of its future financing needs through the issuance of unsecured corporate bonds and notes.

Vonovia meets a significant part of its financing needs through the issuance of unsecured corporate bonds and notes. In order to facilitate such issuances, the Company has engaged S&P Global Ratings Europe Limited (Germany) (***Standard & Poor's***) to provide a rating. By publication dated March 30, 2021, Standard & Poor's confirmed a long-term corporate credit rating of BBB+ to Vonovia, with a stable outlook. While BBB rated issuers are considered by Standard & Poor's to have adequate capacity to meet their financial commitments, they are relatively susceptible to the risk of adverse economic conditions or changing circumstances causing a weakened capacity of the issuers to meet their financial commitments.

On June 14, 2021, Scope Ratings GmbH (***Scope***) confirmed a rating of A- to Vonovia, which is also an investment grade rating.

On May 31, 2021, Moody's Deutschland GmbH (***Moody's***) first published a rating for Vonovia. With a long-term issuer rating of "A3" and with a stable outlook, Moody's also provides the Company with an investment grade rating.

If Vonovia were to lose its investment grade rating awarded by Standard & Poor's and/or Scope and/or Moody's, future issuances of unsecured bonds or notes may become significantly more expensive or may not be possible in the targeted amounts. Standard & Poor's and/or Scope and/or Moody's may downgrade the Group triggered by a multitude of factors including but not limited to if the value of the Group's assets or the Group's debt-service or interest coverage ratios or its liquidity reserve were to fall below certain values, if the Group's debt-to-capital ratio were to exceed certain values, if the Group were unable to keep or render sufficient percentage values of its assets unencumbered, or if the residential real estate market in Germany were to deteriorate in general.

If any of the risks described above were to materialize, it would be more difficult for the Group to pursue its current financing strategy.

1.5.4 The Group has a substantial level of debt, and Vonovia is dependent on refinancing significant amounts that will become due over the next few years. It may be difficult or expensive to obtain new sources of financing.

The Group has a substantial level of debt. As of September 30, 2021, the Group's obligations resulting from outstanding financial indebtedness, including the bridge facilities agreement for refinancing Deutsche Wohnen's liabilities, amounted to EUR 47.0 billion at book value. The Group is dependent on refinancing significant amounts that will become due over the next few years. In connection with the Deutsche Wohnen Transaction, Vonovia has undertaken to refinance Deutsche Wohnen's liabilities, if Deutsche Wohnen financing agreements or instruments are terminated or otherwise due for repayment.

In the past, the Group raised debt capital by issuing bonds and notes and by borrowing from commercial banks and mortgage banks. In the future, the Group intends to refinance maturing debt with new bonds, notes and loans (or by extending the maturity of such debt). The Group's ability to repay existing financial obligations by raising new debt capital (or by extending the maturity of existing debt instruments) may be limited, for example, as a result of market conditions, its business condition or the level of debt of the Company or of other Group companies. Large-volume debt financing may require costly restructuring in order to facilitate refinancing. Although the Group has been able to refinance and reduce its debt and to extend the maturities of its borrowings in the past, its current level of debt may lead capital markets and banks to refuse to make new debt funding available to the Group, or to do so only on less favorable financial terms or to require additional security.

1.5.5 Vonovia has substantial pension obligations and other employee benefit obligations, the present value of which may significantly increase, inter alia, in the event of changes in parameters used to measure these obligations. Further, certain memberships in pension schemes for the public sector may trigger significant additional payment obligations. The Company may thus have to recognize additional economic burdens in the future.

Vonovia has substantial pension obligations and other employee benefit obligations, most of which are not covered by underlying plan assets. As of September 30, 2021, the defined benefit obligations (***DBO***) of Vonovia amounted to EUR 702.1 million. Total provisions recognized for pensions and similar obligations amounted to EUR 674.1 million as of September 30, 2021. The amount of Vonovia's DBO depends on the development of the present value of the obligations and the Fair Value of the assets available to fund such obligations. The present value of the pension obligations and other long-term benefit obligations is significantly influenced by the discount rate used. Furthermore, the longevity and actuarial profile of plan participants may have a negative effect on pension obligations. Pension obligations and other long-term benefit obligations may also be affected by legal and regulatory developments and changes in case-law. The amount determined is based on various assumptions, and any change in these assumptions or in legal requirements or their interpretation with regard to the calculation of pension obligations or other long-term benefit obligations may have a material effect on the amount of the pension and benefit obligations and thus on their present value.

For historical reasons, some companies of the Group are members of the Pension Institution of the Federal Republic and the Federal States (*Versorgungsanstalt des Bundes und der Länder*), a pension institution for employees in the public sector, and of the Supplementary Pension Fund of the Baden-Wuerttemberg Municipal Pension Association (*Zusatzversorgungskasse des Kommunalen Versorgungsverbands Baden-Württemberg*), one of the biggest municipal supplementary pension institutions in Germany, which must be qualified as multi-employer defined benefit plans and are funded, in principle, on a pay-as-you-go basis (*Umlagefinanzierung*). Participation may be terminated by the participating employers and, under certain circumstances, also by the pension institutions. In particular, a pension institution may terminate the participation of any company if the employment conditions for the employees in such company are no longer deemed essentially similar to those applicable to employees in the public sector or if a material part of the employees is transferred to an employer who is not a member of the relevant pension institution. In the event of a termination, the employer would be obliged to compensate the pension institutions for all future expenses arising from the fulfilment of pension obligations towards the pensioners and employees with vested pension rights. In addition, the pension institutions may demand additional contributions in the form of recapitalization payments (*Sanierungsgelder*) from the participating employers to cover additional funding needs.

Any increase in the present value of Vonovia's pension obligations and other long-term benefit obligations and any significant decrease in the Fair Value of the plan assets, and the obligations in connection with the participation in pension institutions of the public sector may have material adverse effects on the Group's business, financial condition, cash flow and results of operations, and there can be no assurance that sufficient cash flows can be generated to meet these obligations.

1.5.6 The Company's surplus revenues and potential future dividend payments are dependent on the profitability of its subsidiaries.

The Company is a holding company that does not conduct its operating business itself but does so through its subsidiaries. To cover its running costs and to enable dividend payments, the Company relies on, among other things, distributions that it receives from its subsidiaries and other investment interests, fees for management services provided or, as the case may be, scheduled repayments of loans it has granted to its subsidiaries. The distributions by its subsidiaries or their ability to provide surplus cash to the Company within the scope of the group cash management depend, in turn, on the subsidiaries' operating results and their ability to transfer that cash under applicable law. There can be no assurance that such funds will be sufficient in the future to satisfy all payment obligations. If such funds are insufficient, Vonovia may be required to raise additional funds.

Vonovia will most likely refrain from paying dividends if available cash is insufficient for their payment. If Vonovia should decide to borrow money to facilitate paying dividends, this may have material adverse effects on Vonovia's business, financial condition and results of operations.

1.6 Regulatory and Legal Risks

1.6.1 Vonovia's portfolio predominantly comprises residential units in relation to which the Group's ability to increase rents is limited by applicable law and such limitations could be further tightened in the future.

The ability of landlords to increase rents under existing tenancy agreements is limited under German law. If the parties to a tenancy agreement have not agreed on a stepped rent (*Staffelmiete*) or an indexation of rents (*Indexmiete*), which is permissible only in specific cases, and the tenant refuses to amend the tenancy agreement, a rent increase may be effected unilaterally, but only within the limits set forth below:

- Subject to statutory and contractual requirements and if the rent has remained unchanged during the 15 months preceding the intended increase, the landlord may exercise a right of contractual adjustment of up to the local comparative rent (*ortsübliche Vergleichsmiete*).
- Provided that they exist for the relevant municipality, parties and courts regularly rely on rent indexes (*Mietspiegel*) to determine local comparative rents (*ortsübliche Vergleichsmiete*). A rent index is an overview of the local comparative rents (*ortsübliche Vergleichsmiete*) which has been prepared or recognised by the municipality or jointly by the representatives of stakeholders of landlords and tenants. Rent indexes are considered qualified (*qualifizierter Mietspiegel*) if they have been prepared in accordance with scientific principles. If qualified rent indexes are adjusted to market developments every two years and are newly drawn up every four years, it is legally presumed that a rent determined under the relevant qualified rent index is the local comparative rent (*ortsübliche Vergleichsmiete*). If a rent index is not qualified (*einfacher Mietspiegel*), there is a (rebuttable) indication that the rent determined on its basis accurately reflects the local comparative rent (*ortsübliche Vergleichsmiete*). If the tenant rebuts the indicative effect of the relevant rent index (*einfacher Mietspiegel*) or if there is no applicable (qualified) rent index at all, other means to determine the local comparative rent (*ortsübliche Vergleichsmiete*) must be considered, especially obtaining expert opinions or making references to certain comparable premises. These alternatives are typically more time consuming and costly than relying on rent indexes. In addition, their outcome is often more uncertain. Only in municipalities with more than 50,000 residents, rent indexes will be mandatory due to the new law on the reform of rent indexes (*Mietspiegelreformgesetz*), which will come into effect on July 1, 2022.
- Generally, the rent may not be increased by more than 20% in three years (capping limit). Pursuant to the Tenancy Law Amendment Act (*Mietrechtsänderungsgesetz*), which entered into force on May 1, 2013, the capping limit may be reduced to 15% by the German federal states for those municipalities or parts of municipalities in which the supply of affordable housing is determined to be threatened. To date, thirteen German state governments (*Landesregierungen*) (Bavaria, Baden-Wuerttemberg, Berlin, Brandenburg, Bremen, Hamburg, Hesse, North Rhine-Westphalia, Rhineland-Palatinate, Saxony, Lower Saxony and Mecklenburg-Western Pomerania) have adopted such regulations to reduce the capping limit, and it remains possible that other state governments will do the same.
- These restrictions do not apply if the tenant voluntarily agrees to rent increases; such possibility may, however, not always yield the desired results and may give the impression that the tenant is somehow obligated to agree to higher rents.
- In addition, subject to statutory or contractual requirements, the landlord may shift costs of modernization measures through which (i) sustainable energy savings (energy-related modernization measures (*energetische Modernisierung*)) are achieved or (ii) sustainable reductions in water consumption are produced or (iii) sustainable increases in the utility value

(*Gebrauchswert*) of the rented property are achieved or (iv) permanent improvements to the housing conditions are achieved, or costs of (v) defined modernization measures that are conducted due to circumstances for which the landlord is not responsible and which do not qualify as maintenance measures, to the tenants by way of an increase of the annual rent in the amount of 8% of the costs incurred (less the costs that would have been incurred for maintenance measures anyway), unless the tenant can prove that the rent increase constitutes undue hardship. Following a rent increase, tenants may have a special termination right.

- Moreover, the Act to Curb Rental Increases on Tight Housing Markets and to Strengthen the Commissioning Party Principle in Housing Agency – Tenancy Law Revision Act (*Gesetz zur Dämpfung des Mietanstiegs auf angespannten Wohnungsmärkten und zur Stärkung des Bestellerprinzips bei der Wohnungsvermittlung – Mietrechtsnovellierungsgesetz*), which came into force on June 1, 2015, limits rent increases and establishes maximum rent levels for new leases (so-called ***rent control*** (*Mietpreisbremse*)). The Tenancy Law Revision Act limits rent increases for new leases for a period of five years to a maximum of 10% above the higher of the locally prevailing comparative rent level or the previous tenant's rent in municipalities or parts of municipalities in which the supply of affordable housing is determined to be threatened. New or fully modernized buildings are excluded from the limitation on rent increases at their first lease. For a period of five years from the date on which the Tenancy Law Revision Act came into force, the federal states may designate regions in which the rent control shall apply and may enact ordinances to designate such regions until and including 2025. As of the date of this Prospectus, Berlin, Hamburg, North Rhine-Westphalia, Bavaria, Rhineland-Palatinate, Baden-Wuerttemberg, Hesse, Bremen, Brandenburg, Thuringia, Lower Saxony and Mecklenburg-Western Pomerania have ordinances in place under which the rent control applies in certain regions. The limitations on rent increases due to the rent control may impair the value of the properties concerned, which may have a significant negative impact on the value of Vonovia's real estate portfolio.

Other changes in the European, German, Austrian or Swedish legal framework may also have negative effects on the Group's ability to increase rents. For example, a rent cap applying to the entire city of Berlin entered into force on February 23, 2020, which was intended to cover all residential leases except for new buildings (provided they were first ready for occupancy as from January 1, 2014), publicly subsidized housing and residential homes or apartments of publicly recognized welfare organizations. The rent cap consisted of two central instruments: a rent freeze and the introduction of upper rent limits. Violations could result in fines. On March 25, 2021, this law was found to be unconstitutional. Vonovia has refrained from retroactively claiming rents reduced under the Berlin rent cap (*Mietendeckel*, ***Berlin Rent Freeze Legislation***) in the amount of up to EUR 10 million. It cannot be ruled out that similar legislation may come into force in the future in Berlin or other local markets, affecting the Group's rental income or the valuation of the Group's real estate portfolios, at least at the regional level.

Affordable housing is a political topic that attracts a high level of attention and the regulatory framework may change depending on which government is in power. Consequently, any changes in government following elections, in particular following the federal election for the German parliament (*Bundestag*) on September 26, 2021, may affect the applicable regulatory framework. Tightened rent restrictions may impair the Group's ability to increase rents, which in turn may have material adverse effects on its business, financial condition and results of operations.

The negative effects of Vonovia's limited ability to increase rents might be particularly distinct, if inflation rates rise sharply, as this could lead to a real decline in the Group's rental income.

1.6.2 The introduction of a CO_2 levy in Germany may have a negative effect on the Group.

As part of its Climate Action Programme 2030, the German federal government has introduced a fixed price for carbon dioxide emissions in the transport and real estate sectors as from January 2021. The price per metric ton of carbon dioxide emitted as heating or fuel emissions (***CO_2*** and ***CO_2 levy***) was set at an initial price of EUR 25.00 per metric ton of carbon dioxide and will, based on the current regime, gradually increase to EUR 55.00 per metric ton until 2025. Currently, this levy can be passed on to the tenant in full. The German federal government had initially proposed a new legislation under which landlords would only have been allowed to pass on 50% of the CO_2 levy to the tenant. On June 22, 2021, the federal government has decided not to further pursue this proposal. However, on the date of this Prospectus, it cannot be ruled out that the new German parliament (*Bundestag*), elected on September 26, 2021, would make new attempts to amend the law accordingly to shift costs related to the CO_2 levy to landlords. Shifting some or all of the relevant costs to landlords would have a significant negative effect on the Group.

1.6.3 Under German law, tenants enjoy substantial protection against termination and tenant eviction. In addition, the Group uses standardized tenancy agreements and standardized contract terms, which are strictly scrutinized by German courts.

German law and German courts provide tenants with substantial protection against termination and tenant eviction. Extended leases or delayed evictions resulting from these protections may lead to substantial losses until the property is actually vacated.

In addition, the Group uses standardized tenancy agreements. Under German law, standardized contract terms must comply with the statutory requirements for general terms and conditions. This means that they are subject to a rigid review of incorporation and reasonableness of terms by the courts regarding their content, clarity and presentation. General terms and conditions are, as a general rule, interpreted against their user, and the review is even more rigid if they are used vis-à-vis consumers. As a general rule, general terms and conditions are invalid if they are not transparent and clearly worded, or if they are unbalanced or discriminate against the other party inappropriately. Due to frequent changes to the legal framework, particularly due to case-law on general terms and conditions, it is impossible to fully protect oneself against risks from the use of general terms and conditions. Examples of such changes in the legal framework are the various German Federal Court of Justice (*Bundesgerichtshof*) decisions regarding the invalidity of clauses concerning minor repairs (so-called decorative repairs), specifically those concerning the type and schedule of the tenant's performance of such repairs. The Federal Court of Justice also decided that shifting the costs of decorative repairs to the tenant is invalid if the apartment had been handed over without being renovated. As a result of the invalidity of such clauses, the landlord is responsible for maintenance measures and the costs incurred in connection with them.

The Group also uses standardized documents, standard form contracts and general terms and conditions (*allgemeine Geschäftsbedingungen*) for agreements other than tenancy agreements. If such documents, standard form contracts or general terms and conditions contain provisions which are unfavorable to the Group, or if clauses in such documents or contracts are declared invalid and replaced by statutory provisions which are unfavorable to the Group, a large number of standardized documents, standard form contracts or general terms and conditions may be affected.

Even if documents, agreements and terms and conditions are prepared with legal advice, it is impossible for the Group to avoid problems of this nature from the outset or in the future, as changes will continue to occur in the legal framework, particularly via case-law. This makes it impossible for the Group to avoid the ensuing legal disadvantages.

1.6.4 The Group's business is subject to the general legal framework in Germany, Austria and Sweden. Any disadvantageous changes in the legal framework, such as mandatory environmental modernization provisions, restrictions to modernization measures or

provisions (including taxes) that result in the incurrence of costs in the event of a property sale, may have adverse effects on the Group's business.

The Group's business is subject to the general legal framework in Germany, Austria and Sweden that applies to housing, such as German, Austrian and Swedish tenancy law, as well as special provisions in other legislation, such as social, construction and historic preservation legislation. For example, pursuant to the Bavarian Act on the Prohibition of Misuse of Housing Space (*Gesetz über das Verbot der Zweckentfremdung von Wohnraum*), the federal state of Bavaria has authorized municipalities in which there is a risk of insufficient supply of affordable housing to enact regulations that prohibit that (i) residential premises remain vacant for a period exceeding three months, (ii) residential premises are altered in a way that prevents their use for residential purposes, (iii) residential premises are eliminated, and (iv) residential premises are used predominantly for professional or commercial purposes. Some German federal states, such as Baden-Wuerttemberg, Berlin, Hamburg and North Rhine-Westphalia, and large cities such as Munich have adopted regulations with the aforementioned or similar restrictions.

Any changes to German federal or state laws, or changes in their interpretation or application that intend to counteract the low supply of affordable housing, may thus have a negative effect on Vonovia. In particular an expansion of German tenant protection laws in connection with conversions of multi-family houses into condominiums may have negative effects on the sale of condominiums to investors. Changes to provisions governing income from ancillary costs (*Betriebskosten*) or modernization investments may have adverse effects on the profitability of the Group's investments and results of operations.

On May 7, 2021, an amendment to the German Telecommunications Act was adopted transposing Directive (EU) 2018/1972 into German law, which provides, inter alia, for a right of citizens to be supplied with telecommunications services. In addition, the new Telecommunications Modernization Act abolishes the possibility to pass on telecommunications costs as ancillary costs as part of the rent (so-called ancillary expenses privilege (*Nebenkostenprivileg*)) from July 1, 2024 onwards. This may have adverse effects on rental income.

More restrictive environmental laws may also result in additional expenses for Vonovia. The same would hold true if the legal requirements relating to existing and permitted properties and their use were to become more onerous. Construction and environmental requirements are of particular significance. For example, the German Energy Savings Ordinance (*Energieeinsparverordnung*), which was amended with effect as of October 28, 2015, prescribes specified investments in renovation work to reduce energy consumption (for instance by thermal insulation) and requires the landlord or seller of a property to present an energy certificate that discloses the property's energy efficiency prior to the conclusion of a new tenancy or sale and purchase agreement. Furthermore, if a seller or landlord advertises the property via commercial media, the energy performance indicator as stated in the relevant property's existing energy certificate must be stated in the advertisement. Additionally, the amended ordinance requires the landlord to renovate the thermal insulation of the let building. Landlords must satisfy minimum heat insulation requirements for roofs.

For maintenance and modernization measures to buildings subject to historic preservation laws, the need to comply with relevant legal requirements may lead to significant delays in the maintenance or modernization process due to conflicts with the objectives of historic preservation, or may result in the inability of the landlord to carry out particular maintenance or modernization measures, or in significantly higher costs for the particular project. These factors may also have negative effects on the ability of the Group to sell or rent the relevant properties or to use them as security for financing.

1.6.5 Vonovia may be subject to liability claims in connection with sold properties even after the handover of the relevant properties.

Vonovia has sold a large number of properties and, in addition to sales from its portfolio, plans to continue to do so in the course of its development activities. In connection with such sales, Vonovia usually makes representations, warranties and negative declarations of knowledge to the relevant purchaser with respect to characteristics of the sold property and is subject to a legal liability regime. Consequently, claims relating to defects to a property, in particular those affecting Vonovia's project developments, may give rise to contractual or other liability vis à vis the purchasers of these properties, who may bring such claims even several years after completion or hand-over of the relevant property, in particular if defects remained hidden when the property was handed over. Vonovia may be required to make payments to the purchasers following legal disputes or litigation. If Vonovia has provided warranties to third parties in connection with modernization or maintenance measures and claims are asserted against Vonovia because of defects, it is not always certain that Vonovia will have recourse against the companies that performed the work if Vonovia's own claims have expired or such third parties are no longer solvent.

As a seller of properties, Vonovia may also be liable to tenants for breaches of tenancy agreements by the purchaser under certain circumstances, even where Vonovia no longer has any control over the property. Moreover, Vonovia continues to be exposed to claims for breach of contract even if the purchaser resells the property and the subsequent purchaser breaches a tenancy agreement. If, however, Vonovia notifies the tenant of the change in ownership and the tenant fails to avail itself of the opportunity to terminate the tenancy agreement at the earliest permitted termination date, Vonovia is, in general, released from any liability. As a rule, when selling properties, Vonovia informs all tenants in writing of the change in landlord either alone or together with the purchaser. Such release from liability does not apply to security deposits (*Mietkaution*) provided by tenants. If the tenant does not receive its security deposit from the purchaser of the property, the liability to repay such security deposit remains with the seller.

Legal or settlement costs, including the costs of defending lawsuits, whether justified or not, as well as potential damages associated with liability for properties that Vonovia has sold, may have material adverse effects on the Group's business, financial condition, cash flow and results of operations.

1.6.6 The control and prevention mechanisms of the Group's compliance structure may not have been, or may not be, sufficient to adequately protect Vonovia from all legal or financial risks. Cases of irregularities may lead to official investigations or third-party claims against the Group, which, in turn, may have material adverse effects on the Group's business, net assets, financial condition, cash flow, results of operations and reputation.

To protect Vonovia against legal risks and other potential harm, Vonovia has implemented a Group-wide code of conduct on the basis of an agreement with the works council in 2010. This binding policy addresses matters such as conduct, corruption and bribery prevention, conflicts of interest, information and data protection, discrimination, environmental protection, and protection of company property and applies to all employees and the members of the Management Board. Moreover, Vonovia has introduced a mandatory code of conduct for its major business partners. Legal and compliance risks are addressed by the Group's risk management.

In February 2014, the Management Board adopted Compliance Guidelines with the goal of implementing a best-practice compliance management system (***CMS***) as well as harmonizing and updating all existing rules. As part of the CMS, all compliance competencies are assumed by the Company's head of Legal as Compliance Officer, who reports directly to the Management Board.

There can be no assurance, however, that the aforementioned compliance arrangements will be sufficient to completely prevent any unauthorized practices, legal infringements or corruption within the Group.

1.6.7 Vonovia is exposed to risks from potential violations of data protection rules.

On May 25, 2018, the General Data Protection Regulation (***GDPR***) came into force in all European Member States, imposing substantial changes to the regulatory landscape of data privacy. The aim of the GDPR is to protect all EU citizens from privacy and data breaches. The GDPR applies to all businesses processing personal data of data subjects residing in the European Union, regardless of the businesses' locations. With around 354,100 own apartments in Germany, around 38,400 residential units in Sweden, around 21,900 apartments in Austria, and around 72,500 apartments that Vonovia manages for third parties, due to the large number of tenants living there, Vonovia processes a high volume of private data. Vonovia has put in place substantial organizational procedures as part of its compliance systems to address the newly introduced privacy and data protection matters under the GDPR when processing data. However, GDPR regulation is complex and the amount of data processed by the Group is substantial. There can be no assurance that the Group's compliance systems are in fact sufficient to manage the risks associated with the GDPR.

For example, in 2019, the competent supervisory authority imposed a fine on Deutsche Wohnen relating to a data archival solution of Deutsche Wohnen that has already been replaced, which is still the subject of judicial review.

Should the Group breach material provisions of the GDPR (*e.g*. as a result of a failure to comply with the privacy by design principle), substantial fines of up to 4% of annual global turnover or EUR 20 million (whichever is greater) may be imposed. In addition to the monetary damage that Vonovia may incur, breaches of the GDPR may also trigger significant reputational damage, which in turn may result in a lack of trust by existing or future tenants, adversely impacting future rental income.

1.6.8 Vonovia may be affected by an initiative in Berlin calling for the expropriation of large residential real estate companies.

The citizens' initiative Expropriate Deutsche Wohnen and others is pursuing the goal of having large housing companies in the State of Berlin socialized on the basis of Article 15 of the German Federal Constitution (*Grundgesetz*). A referendum (*Volksentscheid*) took place on October 26, 2021 on whether the Berlin House of Representatives (*Abgeordnetenhaus*) shall pass a resolution requesting the state government of Berlin (*Senat*) to initiate all necessary measures to socialize the portfolios of privately owned housing companies with more than 3,000 flats in the State of Berlin. The final count shows that 59.1% of the persons who took part in the referendum voted yes while 40.9% voted no.

A specific legislative proposal (*Legislativbegehren*) was not part of the referendum. Instead, the referendum aimed at a resolution (*Beschlussbegehren*) requesting the government of the State of Berlin to prepare a corresponding bill. While any such referendum or resolution is not legally binding for the state government of Berlin, they do have a significant political effect.

The Social Democrats (*SPD*) and the Green party (*Die Grünen*) came out as the strongest parties in the elections for the Berlin House of Representatives, which took place on the same day as the referendum. Immediately after the elections, Berlin's SPD frontrunner candidate Franziska Giffey assured a serious examination of the referendum but expressed considerable doubts about the feasibility of socializing large housing companies in Berlin. The Green Party's candidate, Bettina Jarasch, stated that the result of the referendum will be reflected in the upcoming coalition negotiations. After the first round of negotiations between the SPD, the Green party and the Left Party (Die Linke) on the formation of a new state government, the political parties agreed that, if they do form a coalition, they will set up an expert commission to examine the options and conditions for implementing a new law that reflects the result of the referendum. Depending on the outcome of this process, it cannot be excluded that a new referendum aiming at the adoption of a specific law on the socialization of large housing companies may be initiated in the future.

Article 15 of the German Federal Constitution (*Grundgesetz*) has never been applied since the German Federal Constitution (*Grundgesetz*) came into force, so the conditions and admissibility of the application are highly uncertain. The Berlin Senate Department for Urban Development and Housing has commissioned three expert opinions in connection with the initiative Expropriate Deutsche Wohnen and others. All three conclude that the transfer of real estate companies to public ownership may, in principle, be possible under Article 15 of the German Federal Constitution (*Grundgesetz*). Other renowned experts conclude that such a law would be unconstitutional.

The Berlin state government has estimated that a corresponding law would affect ten or eleven housing companies and around 240,000 flats in Berlin. According to an official cost estimate, the total compensation costs for all properties held by the affected large real estate companies would amount to EUR 28.8 billion to EUR 36 billion.

If a law on the socialization of large housing companies is passed in accordance with the referendum, there is a high probability that it will be challenged in court proceedings. However, it cannot be ruled out that the Group may eventually be forced to transfer all, or parts of its residential property portfolio located in Berlin to the state against the payment of compensations. It is possible that the relevant compensation is significantly below the Group's valuation of the relevant properties. A law on the socialization of large housing companies or a law resulting from similar initiatives in the Countries of Business might therefore significantly affect Vonovia's valuation. Furthermore, any such laws may result in Vonovia itself becoming the subject of public discussion, which may significantly affect the Group's reputation.

1.6.9 Squeeze-out proceedings with regard to Gagfah in Luxembourg and BUWOG and conwert in Austria may result in significant additional burdens if the judicial review follows the arguments of the minority shareholders.

Vonovia acquired real estate companies conwert (listed on the Vienna Stock Exchange) and BUWOG (listed on the Vienna Stock Exchange, Frankfurt Stock Exchange and Warsaw Stock Exchange) in 2016 (conwert) and 2018 (BUWOG) by way of a public takeover. The delisting from the Vienna Stock Exchange and the squeeze-out of the minority shareholders was completed in 2017 (conwert) and 2018 (BUWOG). Following the squeeze-out of the minority shareholders, proceedings for the review of the adequacy of the cash compensation are currently pending, which proceedings could be time-consuming and costly and may result in Vonovia being liable for damages. In addition, an action for damages is being pursued in Luxembourg by former minority shareholders of Gagfah due to the allegedly too low exchange ratio for their shares in relation to the merger of Gagfah with Vonovia that took place in 2017.

Such price review proceedings are generally lengthy procedures, the outcome of which cannot be predicted with certainty. Vonovia could therefore be exposed to protracted price review proceedings, the outcome of which is uncertain, and which could have material adverse effects on the net assets, financial position and results of operations of the Group.

1.7 Tax Risks

1.7.1 Vonovia is subject to the general tax environment in the countries where it operates. The Group's tax burden in relation to the future tax treatment of dividend payments, current or

future tax assessment notices, tax audits or court proceedings may increase due to changes in tax laws or changes in their application or interpretation.

Vonovia is subject to the general tax environment in several countries, in particular Germany, Austria and Sweden, but also France and the Netherlands due to its minority interests in the Dutch residential real estate platform Vesteda Residential Fund and the French residential real estate portfolio Fonciére Vesta. The Group's tax burden depends on various aspects of tax laws, as well as their application and interpretation. Amendments to tax laws such as, for example, an increase of statutory tax rates, may have retroactive effect and their application or interpretation by tax authorities or courts may change. Furthermore, court decisions are occasionally limited to their specific factual circumstances by tax authorities by way of non-application decrees. This may also increase the Group's tax burden. The Group's tax risks include, without limitation, the following:

Tax Assessments: As some Group entities have historically been late in filing their tax declarations, no tax assessments have been received for some of these Group companies in recent years. The unavailability of more recent tax assessments increases the uncertainty regarding the tax authorities' interpretations of applicable tax laws for these periods and increases the uncertainty that these interpretations may differ from the Group's interpretations. Any tax assessments that deviate from the Group's expectations could lead to an increase in the Group's tax burden and, additionally, could give rise to interest payable on the additional amount of taxes. However, with a view to mitigate such interest risks, certain Group entities have calculated their tax burdens based on annual financial statements and have paid, prior to the beginning of the interest period, any taxes expected to be outstanding, taking into account tax prepayments already made.

Tax Audits: The Group entities are subject to regular tax audits in the jurisdiction in which they are resident for tax purposes, in particular in Germany, Austria and Sweden. Tax audits are usually conducted with a certain time lag after the end of the relevant fiscal year. Consequently, a tax audit has not yet been conducted with respect to some fiscal years of the Group entities. Tax audits and other investigations conducted by the competent tax authorities may result in the assessment of additional taxes. This may be the case, in particular, with respect to changes in the Group's shareholding structure, other reorganization measures, or impairment on properties with regard to which tax authorities may take the view that they ought to be disregarded for tax purposes or otherwise lead to a tax liability. Furthermore expenses, particularly interest expenses, may be treated as non-deductible, or RETT may be assessed. In addition, income tax consolidated groups (*ertragsteuerliche Organschaften*) and VAT consolidated tax groups (*umsatzsteuerliche Organschaften*) may be deemed invalid, for instance, in the former case, if one or more profit and loss pooling agreements are considered void as not having been properly executed or, in other cases, if other requirements for tax-consolidated groups or VAT consolidated tax groups are not recognized. These circumstances could lead to an increase in the Group's tax obligations and, additionally, could give rise to interest payable on the additional amount of taxes.

In the event that dividend payments were made or will be made to shareholders of the Company out of the contribution account for tax purposes (*steuerliches Einlagekonto*) and such dividends are, to that extent, treated as a non-taxable refund of contributions (*Einlagenrückgewähr*) and are not subject to withholding tax on profit distributions, tax audits may find that the amount that could be paid out of the contribution account for tax purposes was lower than that assumed by the Company at the time of the distribution. If, as a result, the Company withheld and paid to the tax authorities less withholding tax on dividends than required, the Company will be liable for the withholding tax shortfall without the possibility of having recourse to its shareholders.

Judicial Tax Proceedings: Group entities may become party to judicial tax proceedings. The outcome of any such tax proceedings is not predictable and may be detrimental to the Group.

1.7.2 A transfer of 90% or more of the shares in the Company or in a subsidiary within a ten-year period or the unification of 90% or more of the shares in a subsidiary may trigger German RETT.

The Group is functionally divided into service or management companies on the one hand and real estate companies on the other. According to the RETT law applicable in Germany as from July 1, 2021, RETT is triggered if, within any period of ten years, at least 90% of the shares in a corporation or at least 90% of the interests in a partnership, each holding real estate, or at least 90% of the shares in the Company are directly or indirectly transferred from the current shareholders or partners to new shareholders or partners. In case the Company's shareholders dispose of their shares in the Company with the result that 90% or more of the shares in the Company are transferred to new shareholders within a period of ten years, this may result in a German RETT liability at the level of the Company. However, when calculating the 90% limit, such transfers of interests or shares in the relevant entity that are made on the stock market are not taken into account (except in case of a unification). RETT would also be triggered if a legal entity or a company associated with it, directly or indirectly, legally or economically, acquires at least 90% of the interests or shares in a partnership or corporation having real estate in Germany, or if such an obligation is established. The amount of RETT payable by the Company or the relevant subsidiary is generally calculated on the basis of the value of consideration, multiplied by the applicable tax rate. The RETT rate currently ranges from 3.5% to 6.5%, depending on the relevant German federal state. If there is no consideration, and in the case of transformations, contributions or other acquisitions based on corporate law, and in the case of the transfer of at least 90% of the interests or shares in a partnership or corporation, a so-called "substitute assessment basis" (*Ersatzbemessungsgrundlage*) is used for calculating RETT. Such substitute assessment basis corresponds to the Fair Value of the relevant real estate.

In the recent past, Vonovia acquired further substantial real estate portfolios. These acquisitions were structured, on the basis of tax advice obtained, such that Vonovia does not expect them to trigger any significant RETT liability. However, it cannot be ruled out that the tax authorities and fiscal courts will not share Vonovia's view on the tax treatment of these acquisitions, and this may result in significant tax burdens.

In addition, Vonovia has a multi-level structure. Due to this structure, the internal restructurings that Vonovia conducted in the past few years gave rise to complex tax and legal issues. This structure will also continue to increase the legal complexity of corporate restructurings that Vonovia may intend to conduct in the future. There can be no assurance that none of these transactions has led or may lead to negative tax consequences.

1.7.3 Due to uncertainties regarding the deductibility of interest, tax authorities may not accept all tax deductions made in the past for interest expenses. Further, the Group's tax burden may increase as a consequence of several past acquisitions of real estate portfolios or a future change in the Company's shareholder structure and/or corporate structure.

With Council Directive (EU) 2016/1164 of July 12, 2016 (the ***ATA Directive***), the European Union introduced rules for limiting the tax deductibility of interest expenses for income tax purposes (the ***Interest Limitation Rule***). In Germany, rules similar to the Interest Limitation Rule limiting the tax deductibility of interest expenses for corporate income tax and trade tax purposes have been applicable since 2008. In Sweden, the Interest Limitation Rule has been transposed into national law with effect as from 2019. Comparable rules effective as from 2021 have been introduced in Austria, too.

According to the Interest Limitation Rule, the tax deductibility of interest expenses depends, among other things, on the difference between interest income and interest expenses, the general tax structure of the Group, the annual taxable EBITDA and the taxable EBITDA of previous years and on whether the equity ratios of the group (specified for these purposes) and of particular branches of activity within this group do not differ significantly from each other. As a general rule, the tax deductibility of interest expenses is limited to 30% of the taxable EBITDA for the relevant fiscal year, unless certain exceptions apply. For example in Germany: Subject to certain exceptions, interest expenses are fully deductible where (i) the interest expenses exceeding the interest income of a business is less than EUR 3 million (*de minimis* rule); (ii) the business in question does not belong to a group, *i.e.* it does not have to be consolidated with other businesses (the ***Stand-Alone Clause***); or (iii) the equity ratio test is met, *i.e.* the equity ratio of the business in question is by no more than 2 percentage points lower than the equity ratio of the consolidated group (the ***Escape Clause***). To the extent that 30% of the taxable EBITDA is not used for a deduction of interest expenses, the remaining amount of the unused EBITDA available for set-off can be carried forward for up to five years.

Certain Group entities have relied on the Escape Clause in the past and have been able to achieve a nearly full deduction of interest expenses. However, it cannot be ruled out that the competent tax authorities will deny application of the Escape Clause by the Group's entities. If such risk were to materialize, the interest expenses owed under existing or potential future debt would no longer be fully deductible, thus increasing the tax burden.

The takeovers as well as the capital and financing measures undertaken by Vonovia in connection with these acquisitions add complexity to the Group's financing structure and will change the Group's equity ratios. This may lead to an increase in non-deductible interest expenses of the Group in the future and thereby increase the Group's tax burden.

1.7.4 Due to past or future changes in its ownership structure, Vonovia may not be able to make use of any of its tax loss carry-forwards and interest carry-forwards.

Tax loss carry-forwards and interest carry-forwards, subject to certain restrictions, may reduce future taxable income and taxable trade profit. However, unused tax loss carry-forwards and interest carry-forwards will be lost at the level of the Company and its direct and indirect subsidiaries if, within a period of five years, more than 50% of the shares or voting rights of the Company will be transferred directly or indirectly to an acquirer (or any party related to the acquirer or a group of acquirers whose interests are aligned) or a comparable event occurs. It cannot be ruled out that past or future changes in Vonovia's ownership structure have resulted or will result in a complete loss of these tax loss carry-forwards and interest carry-forwards. If tax loss carry-forwards and/or interest carry-forwards forfeit, this may increase the Group's tax burden. However, despite a harmful acquisition of shares, loss carry-forwards, interest carry-forwards and unused losses will be retained to the extent that they do not exceed the acquired company's built-in gains (*stille Reserven*) taxable in Germany and existing at the time of the transfer (***Built-in Gains Clause***).

1.7.5 Vonovia is subject to potential future changes in the taxation of enterprises in Germany and in the European Union.

Several initiatives are currently being considered at both the German and the European Union level which may affect the taxation of German enterprises. The initiatives relate, inter alia, to changes to the limitation of interest deductions in connection with hybrid financial instruments and the establishment of a common consolidated corporate income tax base. It is uncertain whether and how specifically the suggested changes will eventually be implemented and whether and to what extent they may have a negative effect on the Group's financial condition and results of operations.

1.8 Risks Related to the Shares and the Listing

1.8.1 Subscription rights are subject to market risk which may result in no trading market developing for the subscription rights or, if a market develops, in increased volatility for the subscription rights compared to the shares of the Company.

Trading in the subscription rights for the New Shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the Luxembourg Stock Exchange (*Bourse de Luxembourg*) is expected to begin on November 24, 2021 and will end on December 2, 2021 at 12.00 (noon) CET (with the closing auction for subscription rights). There will be no application for the subscription rights to be traded on any other exchange. There can be no assurance that an active trading market in the subscription rights will develop during that period and, if a market does develop, there can be no assurance regarding the nature of such trading market. If an active trading market does not develop or is not substantial, the liquidity and trading price of the subscription rights could be adversely affected. The trading price of the subscription rights depends on a variety of factors, including but not limited to the performance of the price of the Shares, but may also be subject to significantly greater price fluctuations than the Shares.

1.8.2 Failure by a shareholder of the Company to exercise allocated subscription rights during the applicable exercise period will result in a dilution of such shareholder's percentage ownership of the Shares.

The Company's capital increase by way of subscription offer in form of public offer in Germany and Luxembourg, followed by a rump placement in form of a private placement (the ***Offering***) enables the Company to raise capital in a manner that gives the Shareholders, to the extent eligible, the opportunity to subscribe for the New Shares pro rata to their shareholding at the record date, subject to applicable securities laws. To the extent that the Shareholders do not exercise their subscription rights, their proportionate ownership and voting interest in the Company will be reduced. If Shareholders elect to sell their subscription rights, the consideration they receive, if any, may not be sufficient to fully compensate them for the dilution of their percentage ownership of the New Shares that may be issued under the Offering. The New Shares will be offered to the Shareholders at a subscription ratio of 7:20, whereby 7 New Shares may be acquired at the subscription price of EUR 40.00 per New Share (the ***Subscription Price***) for every 20 Shares. Shareholders who do not hold 20 Shares or integral multiples thereof will not be able to exercise all subscription rights and may thus be left with subscription rights that they can neither exercise nor sell.

1.8.3 Future capital measures may lead to a substantial dilution of shareholders' interests, i.e. a reduction in the value of the shares and voting rights, in the Company.

The Company may require additional capital in the future to finance its business operations and growth, for example, through the acquisition of larger portfolios, or to repay its debts. Both the raising of additional equity through the issuance of new shares as well as the potential exercise of conversion or option rights by holders of any convertible bonds or bonds with warrants that may be issued in the future may dilute shareholders' interests. The Company may issue all or part of its remaining authorized shares or utilize its remaining authorization to issue convertible bonds or bond with warrants without any action or approval by its shareholders and, under certain, limited conditions, without granting any pre-emptive subscription rights to its shareholders. If the Company issues additional shares of common stock in the future, or if it issues securities that are convertible into share of the Company's common stock, current shareholders may experience dilution of their equity investments.

Additionally, such dilution may arise from the acquisition of other companies or investments in companies in exchange, in full or in part, for newly issued shares of the Company, as well as from the exercise of stock options by the Company's employees in the context of future stock option programs or the issuance of shares to employees in the context of future employee participation programs.

As of the date of this Prospectus, the Shares are included in several indices including, inter alia, EuroStoxx and DAX. If the Shares were to be removed from one or more of these indices, this may have an adverse effect on the value of the shares. Shareholders who, due to their investment policies or otherwise, are restricted to investing in shares of DAX companies or companies included in other indices may consequently have to sell their shares in the Company, which in turn may have an adverse effect on the value of the Shares.

1.8.4 Any future sales of the Shares by a major shareholder may depress the market price of the shares.

If the Company's major shareholders were to sell substantial amounts of the Shares on a public exchange or otherwise or if market participants were to believe that such sales might occur, this may have a material adverse effect on the market price of the Shares.

1.8.5 The market price of the New Shares may fluctuate significantly and may decline below the Subscription Price.

The market price of the New Shares may fluctuate and may decline below the Subscription Price. Moreover, given that the market price of the subscription rights depends to a significant degree on the price of the Company's existing Shares, a decline in the trading price of the Shares would also be expected to negatively affect the trading price of the subscription rights. The price and the trading volume of the Shares is determined by supply and demand, which is influenced by a variety of factors.

The Company cannot assure holders of subscription rights that the market price of the Shares will not decline below the Subscription Price after such holders elect to exercise their subscription rights. If this event occurs, such holders will have committed to buy the New Shares at a price above the prevailing market price, and such holders will suffer an immediate unrealized loss as a result thereof.

In the event that holders of subscription rights do not take up their subscription rights during the subscription period, the Joint Bookrunners will seek to procure purchasers for all of the New Shares not subscribed for in the subscription offer (the ***Rump Shares***) in private placements to eligible or qualified investors in certain jurisdictions at a price at least equivalent to the Subscription Price (the ***Rump Placement***). Any Rump Shares not sold in connection with the Rump Placement are being purchased by the Joint Bookrunners in accordance with the Underwriting Agreement, which provides for a firm underwriting of the New Shares not sold in the Offering by the Joint Bookrunners. The Joint Bookrunners may divest such remaining Rump Shares following the Offering which could result in the market price of the New Shares to decline significantly.

Additionally, in the past, the market price of the Shares has been volatile and characterized by fluctuating trading volumes and may continue to be subject to similar or more pronounced fluctuations in the future. If the market price of the Shares declines, investors may be unable to resell the Shares at or above their purchase price. Securities markets in general, and shares of real estate companies in particular, have been volatile in the past. Some of the factors that may adversely affect the market price of the Shares or result in fluctuations in the market price or trading volume of the Shares include, for example: changes in the Company's actual or projected results of operations or those of its competitors; changes in earnings projections or failure to meet investors' or analysts' earnings expectations; investors' evaluation of the success and effects of the strategy described in this Prospectus and evaluation of the related risks; changes in general economic conditions; changes in shareholders; and other factors. Additionally, general fluctuations in share prices, particularly of shares of companies in the same sector, may lead to pressure on the market price of the Shares, even where there may not necessarily be a reason for this in the Group's business or earnings outlook. In recent years, over long periods there was a strong correlation in some cases between low interest rates and falling yields of government bonds on the one hand, and rising market prices of shares of real estate companies in general and of the Shares in particular on the other hand. A change in the development of interest rates or the perception of possible changes may adversely affect the market price of the Shares.

The market price of the New Shares may be adversely affected by most of the preceding or other factors regardless of the Company's actual results of operations and financial condition. Publicly traded securities, including the Shares, from time to time experience significant price and volume fluctuations that may be unrelated to the performance of the companies that have issued them. The Company cannot make any predictions about the market price of the Shares. No assurance can be given that the market price of the New Shares will not decline below the Subscription Price or their market price at the commencement of the Offering.

1.8.6 The Company's ability to pay dividends depends on a variety of factors. Dividends paid in the past are not necessarily indicative of future dividend payments, and the Company's dividend policy may change.

The Company may only pay dividends if it has sufficient distributable profits as calculated in accordance with the provisions of the German Commercial Code (*Handelsgesetzbuch*). The Company is a holding company with no significant assets other than direct and indirect interests in the subsidiaries through which it conducts its operations. Therefore, its ability to pay dividends largely depends on the receipt of sufficient funds from its subsidiaries. The extent of any such cash flows to the Company, in turn, depends on the business, financial condition, results of operations and cash flows of its subsidiaries.

In line with the Company's stated dividend policy, it currently aims to generally distribute approximately 70% of the Group FFO. The annual dividend proposal to the shareholders' meeting is, however, subject to the development of the Group's business. The required capital base for growth initiatives and the current business prospects are taken into account. There can be no assurance that dividends in line with the current dividend policy will be paid in the future or that dividends will be paid at all.

In addition, payments and transfers of funds (including by way of cash pooling arrangements) to the Company by its subsidiaries in order to enable dividend payments may become restricted by regulation of law or otherwise. Furthermore, payments may become restricted, directly or indirectly, by the terms of the Group's credit facilities, such as the requirement to maintain a certain LTV Ratio. There can be no assurance that any future credit agreements will not contain such restrictions.

1.8.7 Overseas shareholders may not be able to acquire New Shares in the context of the Offering.

Securities laws of certain jurisdictions may restrict the Company's ability to allow participation by certain Shareholders in the Offering. In particular, and subject to certain exceptions, Shareholders who are located in the United States may not be permitted to exercise their entitlements under the Offering unless an exemption from the registration requirements is available under the United States Securities Act of 1933, as amended (the ***Securities Act***). The New Shares and the subscription rights have not been and will not be registered under the Securities Act, or the securities laws of any other jurisdiction of the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any state of the United States or the District of Columbia, and may not be offered, sold or otherwise transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction in the United States. Shareholders who have a registered address in or who are incorporated, registered, resident or located in countries other than Germany are encouraged to consult their own professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up, sell or exercise their subscription rights, including to ultimately acquire any New Shares. Any Shareholder who is not entitled to participate in the Offering carried out by the Company will suffer dilution.

2. GENERAL INFORMATION

2.1 Responsibility Statement

The following persons assume responsibility for the contents of this prospectus (the ***Prospectus***) pursuant to Section 8 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*) in conjunction with Article 11 of Regulation (EU) 2017/1129 of the European Parliament and of the Council of June 14, 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market and repealing Directive 2003/71/EC, as amended (the ***Prospectus Regulation***), and declare that the information contained in this Prospectus is, to the best of their knowledge, in accordance with the facts, and that this Prospectus makes no omission likely to affect its import:

- Vonovia SE (the ***Company*** and, together with its consolidated subsidiaries, ***Vonovia*** or the ***Group***, including, as of the first day of consolidation on September 30, 2021, Deutsche Wohnen SE (Deutsche Wohnen SE and, together with its consolidated subsidiaries, ***Deutsche Wohnen***)). References in this Prospectus to Vonovia or the Group relating to facts or circumstances which occurred prior to September 30, 2021, do not include Deutsche Wohnen. The Company has its registered offices at Universitätsstraße 133, 44803 Bochum, Federal Republic of Germany (***Germany***), legal entity identifier (***LEI***) 5299005A2ZEP6AP7KM81, and registered in the commercial register (*Handelsregister*) at the local court (*Amtsgericht*) in Bochum, Germany, under HRB 16879,
- BofA Securities Europe SA, 51 rue La Boétie, 75008 Paris, France, incorporated in and operating under the laws of France, LEI 549300FH0WJAPEHTIQ77 (***BofA Securities***),
- Morgan Stanley Europe SE, Grosse Gallusstrasse 18, 60312 Frankfurt am Main, Germany, incorporated in and operating under the laws of Germany, LEI 54930056FHWP7GIWYY08 (***Morgan Stanley***),
- Société Générale, 29 boulevard Haussmann, 75009 Paris, France, incorporated in and operating under the laws of France, LEI O2RNE8IBXP4R0TD8PU41 (***Société Générale***, and together with BofA Securities and Morgan Stanley, the ***Joint Global Coordinators***),
- BNP PARIBAS, 16, boulevard des Italiens, 75009 Paris, France, incorporated in and operating under the laws of France, LEI R0MUWSFPU8MPRO8K5P83 (***BNP Paribas***),
- Citigroup Global Markets Europe AG, Reuterweg 16, 60323 Frankfurt am Main, Germany, incorporated in and operating under the laws of Germany, LEI 6TJCK1B7E7UTXP528Y04 (***Citigroup***),
- COMMERZBANK Aktiengesellschaft, Kaiserstraße 16 (Kaiserplatz), 60311 Frankfurt am Main, Germany, incorporated in and operating under the laws of Germany, LEI 851WYGNLUQLFZBSYGB56 (***Commerzbank***),
- Deutsche Bank Aktiengesellschaft, Taunusanlage 12, 60325 Frankfurt am Main, Germany, incorporated in and operating under the laws of Germany, LEI 7LTWFZYICNSX8D621K86 (***Deutsche Bank***),
- Goldman Sachs Bank Europe SE, Marienturm, Taunusanlage 9-10, 60329 Frankfurt am Main, Germany, incorporated in and operating under the laws of Germany, LEI 8IBZUGJ7JPLH368JE346 (***GS***),
- ING Bank N.V., Bijlmerdreef 106, 1102 CT Amsterdam, the Netherlands, incorporated in and operating under the laws of the Netherlands, LEI 3TK20IVIUJ8J3ZU0QE75 (***ING***),

- Intesa Sanpaolo S.p.A., Piazza S. Carlo 156, 10121 Turin, Italy, incorporated in and operating under the laws of Italy, LEI 2W8N8UU78PMDQKZENC08 (***IMI-Intesa Sanpaolo***),
- J.P. Morgan AG, Taunustor 1 (TaunusTurm), 60310 Frankfurt am Main, Germany, incorporated in and operating under the laws of Germany, LEI 549300ZK53CNGEEI6A29 (***J.P. Morgan***),
- Landesbank Baden-Württemberg, Am Hauptbahnhof 2, 70173 Stuttgart, Germany, incorporated in and operating under the laws of Germany, LEI B81CK4ESI35472RHJ606 (***LBBW***),
- UBS AG London Branch, 5 Broadgate, London EC2M 2QS, United Kingdom, incorporated in and operating under the laws of United Kingdom, LEI BFM8T61CT2L1QCEMIK50 (***UBS***),
- and UniCredit Bank AG, Arabellastrasse 12, 81925 Munich, Germany, incorporated in and operating under the laws of Germany, LEI 2ZCNRR8UK83OBTEK2170 (***UniCredit***, and together with BNP Paribas, Citigroup, Commerzbank, Deutsche Bank, GS, ING, IMI-Intesa Sanpaolo, J.P. Morgan, LBBW, UBS and the Joint Global Coordinators, the ***Joint Bookrunners***).

2.2 General Disclaimers

If any claims are asserted before a court of law based on the information contained in this Prospectus, the investor appearing as plaintiff may have to bear the costs of translating this Prospectus prior to the commencement of the court proceedings pursuant to the national legislation of the member states of the European Economic Area (the ***EEA***).

The information contained in this Prospectus will not be supplemented subsequent to the date hereof, except for any significant new factor, material mistake or material inaccuracy relating to the information included in this Prospectus which may affect the assessment of the securities and which arises or is noted between the time when this Prospectus is approved and the closing of the offer period or the time when trading of the shares on the regulated market commences, whichever occurs later, which will be disclosed in a supplement to this Prospectus pursuant to Article 23 of the Prospectus Regulation without undue delay.

Investors should rely only on the information contained in this Prospectus. No person has been authorized to give any information or make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied on as having been authorized by the Company or any of the Joint Bookrunners.

None of the Company or the Joint Bookrunners, or any of their respective representatives, is making any representation to any offeree or purchaser of the New Shares regarding the legality of an investment in the Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the New Shares.

The Joint Bookrunners are acting exclusively for the Company and no one else in connection with the Offering. None of the Joint Bookrunners will regard any other person (whether or not a recipient of this Prospectus) as a client in relation to the Offering and the Joint Bookrunners will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients or for the giving of advice in relation to the Offering or any transaction, matter, or arrangement referred to in this Prospectus.

2.3 Validity

The validity of this Prospectus is expected to expire at the end of the day on December 13, 2021. The closing of the offer period is expected to occur on December 7, 2021 and the time when trading on a regulated market begins is expected to occur on December 13, 2021. The obligation to

supplement this Prospectus in the event of any significant new factors, material mistakes or material inaccuracies no longer applies when this Prospectus is no longer valid.

2.4 Competent Authority Approval

This Prospectus has been approved by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht* (***BaFin***)), Marie-Curie-Straße 24-28, 60439 Frankfurt am Main, Germany, www.bafin.de, as the competent authority under the Prospectus Regulation. BaFin has only approved this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Company or the quality of the Company's shares (the ***Shares***) and investors should make their own assessment as to the suitability of investing in the Shares.

The Company has requested BaFin to provide the *Commission de Surveillance du Secteur Financier* as competent authority in the Grand Duchy of Luxembourg (***Luxembourg***), with a certificate of approval attesting that this Prospectus has been drawn up in accordance with the Prospectus Regulation, pursuant to the European passport mechanism set forth in Article 25(1) of the Prospectus Regulation.

2.5 Subject Matter of the Prospectus

For the purpose of the public offering of new shares in Germany and Luxembourg, this Prospectus relates to the offer of 201,340,062 newly issued no-par value registered ordinary shares of the Company from the capital increase against contribution in cash from authorized capital resolved by the Company's management board (*Vorstand*) (the ***Management Board***) on November 21, 2021, with approval of the Company's supervisory board (*Aufsichtsrat*) (the ***Supervisory Board***) on November 21, 2021 (the ***New Shares***), each such New Share representing a notional value of EUR 1.00 in the Company's share capital and carrying full dividend rights as from January 1, 2021.

The existing Shares of the Company are already admitted to trading on the regulated market segment (*regulierter Markt*) with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and simultaneously on the regulated market of the Luxembourg Stock Exchange (*Bourse de Luxembourg*). Like the existing Shares of the Company, the Company will apply for admission of the New Shares to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and on the regulated market of the Luxembourg Stock Exchange (*Bourse de Luxembourg*) and included in the current listing. Application to trading will be made by the Company together with Morgan Stanley, who is acting as listing agent.

This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any shares offered by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation. For further information on certain selling restrictions with respect to the New Shares, see "*3.9 Selling Restriction Notices*". For further information on the subject matter of this Prospectus, see "*3 The Offering*".

2.6 Forward-Looking Statements

This Prospectus contains certain forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts or events or to facts or events as of the date of this Prospectus. This applies, in particular, to statements in this Prospectus containing information on Vonovia's future earnings capacity, plans and expectations regarding Vonovia's business, growth, and profitability, as well as the general economic and legal conditions to which Vonovia is exposed. Statements made using forward-looking terminology such as "aim", "anticipate", "expect", "intend", "plan", "predict", "project", and "target" are an indication of forward-looking statements.

The forward-looking statements contained in this Prospectus are based on Vonovia's current estimates and assessments. They are based on assumptions and subject to uncertainties and other factors, the occurrence or non-occurrence of which could cause actual circumstances – including with regard to Vonovia's business, results of operations, financial position, cash flows, and prospects – to differ materially from or fail to meet the expectations expressed or implied in the forward-looking statements. Even if Vonovia's future results meet the expectations expressed herein, they may not be indicative of the results of any succeeding periods.

Vonovia's business is also subject to a number of uncertainties that could cause a forward-looking statement, estimate, or prediction in this Prospectus to become inaccurate. Accordingly, investors are strongly advised to consider this Prospectus as a whole and particularly ensure that they have read the following sections of this Prospectus, which include more detailed descriptions of factors that might influence Vonovia's business performance and the markets in which it operates: "*8 Management's Discussion and Analysis of Net Assets, Financial Condition and Results of Operations*", "*12 Markets and Competition*", "*13 Business*" and "*24 Recent developments and outlook*".

In light of these assumptions, uncertainties, and other factors, it is also possible that the future events mentioned in this Prospectus may not occur or may differ materially from actual events. In addition, the forward-looking estimates and forecasts reproduced in this Prospectus from third-party sources could prove to be inaccurate. For more information on third-party sources, see "*2.7 Information from Third Parties*".

For a description of risks relating to Vonovia and the New Shares, please see "*1 Risk Factors*".

Moreover, the forward-looking statements contained in this Prospectus speak only as of the date of this Prospectus. Investors are advised that neither Vonovia nor the Joint Bookrunners assume any obligation and do not intend, except as required by law, to publicly release any updates or revisions to these forward-looking statements to reflect any change in Vonovia's expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based or to adjust them in line with future events or developments.

2.7 Information from Third Parties

This Prospectus contains industry- and customer-related data, as well as calculations sourced from reports published by third parties, market research reports, publicly available information and commercial publications of third parties. These publications generally state that the information they contain has originated from sources assumed to be reliable, however, some calculations and forecasts therein may be based on assumptions. These sources may not fully reflect the potential impact of Covid-19 due to, among other things, uncertainties surrounding its further development. This applies particularly in the context of links and interrelations between the global financial markets, economies and political decisions, which each individually may have an influence on the economic and political development, and when combined are currently impossible to assess with any certainty *ex ante*.

Irrespective of the assumption of responsibility for the contents of this Prospectus by the Company and the Joint Bookrunners (see "*2.1 Responsibility Statement*"), neither the Company nor the Joint Bookrunners have independently verified such information, or make any representation, or give any warranty as to the accuracy or completeness of such information.

Where information in this Prospectus has been sourced from a third party, the Company confirms that this information has been accurately reproduced and that, as far as the Company is aware and able to ascertain from information published by such third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Nevertheless, prospective investors are advised to consider this information with caution.

In preparing this Prospectus, the following sources of third-party information were used:

- Association of Public German Bausparkassen (*LBS Bundesgeschäftsstelle Landesbausparkassen*) as part of the German Savings Banks Association (Deutscher Sparkassen- und Giroverband e.V.), online report "Markt für Wohnimmobilien 2020", download June 8, 2021 (***LBS, Residential Real Estate Market 2020***);
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- SEB, report "Nordic Outlook November 2020", November 2020 (***SEB 2020-11***);
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- Statistics Austria (*Statistik Austria*), online report "Arbeitsmarkt", download June 15, 2021 (***Statistics Austria, Labour Market Indicators***);
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- Statistics Austria (*Statistik Austria*), table "Privathaushalte und Familien 1984 bis 2020", March 19, 2021 (***Statistics Austria, Private Households and Families***);
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This Prospectus also contains estimates of market and other data and information derived from such data that cannot be obtained from publications by market research institutes or from other independent sources. Such information is partly based on the Group's own market observations, the evaluation of industry information (from conferences, sector events etc.), and internal assessments. The Company believes that its estimates of market and other data and the information derived from such data assist investors in gaining a better understanding of the industry in which the Group operates and the Group's position therein. The Company's estimates have not been checked or verified externally. The Company nevertheless believes that its own market observations are reliable. They may however differ from estimates made by its competitors or from current and future studies conducted by market research institutes or other independent sources.

Information contained on any website mentioned in this Prospectus, including Vonovia's website, is not incorporated by reference in this Prospectus and is not part of this Prospectus.

2.8 Valuers

The independent external valuers CBRE GmbH, Große Gallusstraße 18, 60312 Frankfurt am Main, Germany (***CBRE***) and Savills Sweden AB, Regeringsgatan 48, 111 56 Stockholm, Sweden (***Savills***), in relation to the real-estate properties held and managed by Vonovia prior to the implementation of the Deutsche Wohnen Transaction (the ***Vonovia Portfolio***) as at their respective valuation dates, have prepared their valuation reports reprinted in this Prospectus on pages V-1 *et seqq.* (the ***Vonovia Valuation Reports***) in accordance with the Royal Institution of Chartered Surveyors' (***RICS***) "Valuation – Global Standards (2020)" (the ***Red Book***) incorporating the International Valuation Standards (***IVS***) and IAS 40 in conjunction with IFRS 13.

The Vonovia Valuation Reports were prepared with the valuation dates of December 31, 2020 and June 30, 2021, respectively, and hence, the Vonovia Valuation Reports do not include properties of Deutsche Wohnen.

CBRE and Savills have prepared the Vonovia Valuation Reports as independent external valuers.

CBRE employs members of the RICS, as well as real estate experts certified in the area of valuations by HypZert GmbH. CBRE has confirmed that it is not aware of any actual or potential conflicts of interest that might have influenced its independent status, also see "*1.14 Declaration of Independence*" in CBRE's valuation reports. CBRE has consented to the inclusion of their respective Valuation Reports in this Prospectus in the unmodified form authorized by them and have approved the context in which they are presented.

Savills employs members of the RICS. Savills has confirmed that it is not aware of any actual or potential conflicts of interest that might have influenced its independent status, also see "*B.1 – Declaration of Independence & Status of Valuer*" in Savills' valuation report. Savills has consented to the inclusion of their respective Valuation Report in this Prospectus in the unmodified form authorized by them and have approved the context in which they are presented.

All other statements regarding fair values of the Vonovia Portfolio's properties in Germany and Austria set forth in this Prospectus are based on group-internal valuations. The fair values of the individual properties were determined using the DCF methodology, and independent external valuations were carried out by CBRE and Savills as described above. CBRE and Savills have consented to the inclusion of their respective Valuation Reports in this Prospectus in the unmodified form authorized by them and have approved the context in which they are presented.

The Vonovia Portfolio in Germany and Austria was fully valued internally and externally as at December 31, 2020. For significant parts of this portfolio (representing about three quarters of the fair value), a revaluation was carried out both internally and externally as at June 30, 2021 (see section "*22.1.1 CBRE Valuation Report as at June 30, 2021*"). This portfolio includes the 30 largest and most dynamic locations in Germany and Vienna in Austria. The remainder of the portfolio in Germany and Austria has been valued in the report included in section "*22.1.2 CBRE Valuation Report as at December 31, 2020*" as at December 31, 2020. The portfolio Sweden was fully valued by Savills as at June 30, 2021 (see section "*22.1.3 Savills Valuation Report as at June 30, 2021*"). In addition, the entire Vonovia Portfolio was fully revaluated internally as at September 30, 2021.

Furthermore, the independent external valuer Jones Lang LaSalle SE, Bockenheimer Landstraße 55, 60325 Frankfurt am Main (***JLL*** and, together with CBRE and Savills, the ***Valuers***) has prepared its valuation report regarding the Deutsche Wohnen real estate portfolio reprinted in this Prospectus on pages V-1 *et seqq.* (the ***Deutsche Wohnen Valuation Report***, and together with the Vonovia Valuation Report, the ***Valuation Reports***) in accordance with the RICS Red Book incorporating IVS and IAS 40 in conjunction with IFRS 13. The Deutsche Wohnen Valuation Report was prepared with its valuation date of December 31, 2020 (see section "*22.1.4 JLL Valuation Report as at December 31, 2020*"). The Deutsche Wohnen Portfolio was fully revaluated internally as at September 30, 2021.

JLL employs members of the RICS. JLL has confirmed that it is not aware of any actual or potential conflicts of interest that might have influenced its independent status, also see "*1.6 – Status of the Valuer and Conflicts of Interest*" of the Deutsche Wohnen Valuation Report. JLL has consented to the inclusion of its Deutsche Wohnen Valuation Report in this Prospectus in the unmodified form authorized by them and have approved the context in which they are presented.

The Deutsche Wohnen Valuation Report comprises the residential and commercial units of the Deutsche Wohnen portfolio and reflects approximately 94% of the aggregate real-estate portfolio held and managed by Deutsche Wohnen (the ***Deutsche Wohnen Portfolio***), not including Deutsche Wohnen's nursing, commercial, land and development portfolios.

The Valuers did not prepare this Prospectus and assume no responsibility for the correctness of the Prospectus as a whole or for any other part of the Prospectus or for any other information provided by any other party. In addition, the Valuation Reports refer to the positions as at the valuation dates, and the Valuers have not been engaged to nor are obliged to take any action to review or to update the valuations. To the extent any parts of the Valuation Reports are summarized in the Prospectus, such summary or extract should be considered in conjunction with the entire relevant Valuation Report.

Each Valuer's liability is several and not joint, and no Valuer shall be liable for any other's breach or negligence. The Valuation Reports were prepared solely on the instructions of the Company or, in relation to the Deutsche Wohnen Valuation Report, of the Company and Deutsche Wohnen, and are subject to terms, including limitations on liability agreed between each of Savills, CBRE and JLL and the instructing parties. None of the Valuers has been made aware by the Company or any other parties of any material change in any matter relating to the properties that are subject of the Valuation Reports since the respective valuation dates. No reliance may be placed upon the contents of any Valuation Report by any party for any purpose other than in connection with the purpose of the Valuation Reports.

In the opinion of the Company, no material change in the value of the properties appraised in the Valuation Reports has occurred as at the date of this Prospectus since the valuation dates for each portfolio as at December 31, 2020 and June 30, 2021, respectively. However, the Valuation Reports include the Berlin Portfolio (as defined in section "*8.2.1.1 Deutsche Wohnen Transaction*") which was subsequently agreed to be sold in connection with the Deutsche Wohnen Transaction, with closing expected in 2022. Furthermore, the increase in fair value of investment properties as of September 30, 2021 on account of major market developments and evaluation parameters and as disclosed in the Unaudited Condensed Interim Consolidated Financial Statements and the Unaudited Interim Consolidated Financial Statements of Deutsche Wohnen (see "*8.11.1 Valuation of investment properties*" and "*10.5.1.1 Adjusted earnings before taxes (Adjusted EBT)*") are not reflected in the Valuation Reports.

2.9 Currency Presentation and Presentation of Figures

In this Prospectus, ***euro***, ***EUR*** and ***€*** refer to the single European currency of the Economic and Monetary Union of the European Union, ***US dollars***, ***US$***, ***USD*** or ***$*** refer to the lawful currency of the United States of America (***United States***) and ***krona*** and ***SEK*** refer to the Swedish krona, the lawful currency of Sweden and the functional currency of the Swedish subsidiaries of Vonovia. The table below shows the exchange rates for EUR 1 in SEK and USD for the dates and periods presented.

	Average for the fiscal year ended December 31, 2020	**Closing rate on December 31, 2020**	**Average for the nine-month period ended September 30, 2021**	**Closing rate on September 30, 2021**
	Base: EUR 1			
SEK	10.48	10.03	10.15	10.17
USD	1.14	1.23	1.20	1.16

Where financial data in tables in this Prospectus is labelled "audited", this means that it has been taken from the Audited Consolidated Financial Statements (as defined below). The label "unaudited" is used in tables in this Prospectus to indicate financial data that has not been taken from the Audited Consolidated Financial Statements (as defined below) but was taken from the Unaudited Condensed Interim Consolidated Financial Statements (as defined below) or from the Company's internal reporting system, or has been calculated based on financial data from the above-mentioned sources.

All of the financial data presented in this Prospectus are shown in millions of euro (EUR million), except as otherwise stated. Certain financial data (including percentages) in this Prospectus have been rounded according to established commercial standards, whereby aggregate amounts (sum totals, sub-totals, differences or amounts put in relation) are calculated based on the underlying unrounded amounts. As a result, the aggregate amounts in tables in this Prospectus may not correspond in all cases to the corresponding rounded amounts contained in tables in this Prospectus. Furthermore, in those tables, these rounded figures may not add up exactly to the totals contained in those tables as a result of rounding differences.

Financial information presented in parentheses denotes the negative of such number presented. With respect to financial data set out in this Prospectus, a dash ("–") signifies that the relevant figure is not applicable, while a zero ("0") signifies that the relevant figure is available but is or has been rounded to zero.

2.10 Presentation of Financial Information

2.10.1 Application of IFRS and the German Commercial Code (Handelsgesetzbuch)

This Prospectus includes (i) the audited consolidated financial statements of the Company as of and for the fiscal years ended December 31, 2020, December 31, 2019 and December 31, 2018 (the ***Audited Consolidated Financial Statements***), (ii) the unaudited condensed interim consolidated financial statements of the Company as of and for the nine-month period ended September 30, 2021 (the ***Unaudited Condensed Interim Consolidated Financial Statements***) and (iii) the unconsolidated financial statements of the Company in accordance with the German generally accepted accounting principles of the German Commercial Code (*Handelsgesetzbuch*) as of and for the year ended December 31, 2020.

Certain figures stated in this Prospectus as of and for the fiscal year ended December 31, 2019 have been adjusted in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2020 compared to the same line item of figures stated in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2019. For more information, see "*8.2.12 Adjustment to prior-year figures*" and Note 2 (*Adjustment to Prior-year Figures*) in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2020. As a result, the Group's Audited Consolidated Financial Statements are not fully comparable across the periods under review. Unless otherwise indicated, figures stated in this Prospectus as of and for the fiscal years ended December 31, 2019 are taken or derived from the results stated in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2020.

Certain figures stated in this Prospectus as of and for the fiscal year ended December 31, 2018 have been adjusted in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2019 compared to the same line item of figures stated in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2018. Unless otherwise indicated, figures stated in this Prospectus as of and for the fiscal year ended December 31, 2018 are taken or derived from the results stated in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2019.

The Audited Consolidated Financial Statements were prepared in accordance with International Financial Reporting Standards, as adopted by the European Union (***IFRS***) and the additional requirements of German commercial law pursuant to Section 315e para. 1 of the German Commercial Code (*Handelsgesetzbuch*).

The Audited Consolidated Financial Statements were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Düsseldorf (Tersteegenstraße 19-23, 40474, Düsseldorf, Germany) (***KPMG***) in accordance with Section 317 of the German Commercial Code (*Handelsgesetzbuch*) and Regulation (EU) No 537/2014 and in compliance with generally accepted auditing standards in Germany, as stated in each of their independent auditor's reports (*Bestätigungsvermerke des unabhängigen Abschlussprüfers*) on the Audited Consolidated Financial Statements.

The Unaudited Condensed Interim Consolidated Financial Statements of the Company were prepared in accordance with IFRS for interim financial reporting (IAS 34).

The acquisition date on which the Company acquired control of Deutsche Wohnen, and therefore the first day of consolidation, was September 30, 2021. The transaction is a "business combination" within the meaning of IFRS 3. Prior to the first day of consolidation on September 30, 2021, Deutsche Wohnen did not form part of the Group. As a result, the Audited Consolidated Financial Statements do not reflect any business activities of Deutsche Wohnen. In relation to the Unaudited Condensed Interim Consolidated Financial Statements, Vonovia's consolidated balance sheet reflects Deutsche Wohnen, while the consolidated income statement and the consolidated statement of cash flows do not reflect Deutsche Wohnen's results of operation or cash flow.

In addition, this Prospectus includes (i) the audited consolidated financial statements of Deutsche Wohnen as of and for the fiscal years ended December 31, 2020, December 31, 2019 and December 31, 2018 (the ***Audited Consolidated Financial Statements of Deutsche Wohnen***), and (ii) the unaudited interim consolidated financial statements of Deutsche Wohnen as of and for the nine-month period ended September 30, 2021 (the ***Unaudited Interim Consolidated Financial Statements of Deutsche Wohnen***).

The Audited Consolidated Financial Statements of Deutsche Wohnen were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin (Klingelhöferstraße 18, 10785, Berlin, Germany) in accordance with Section 317 of the German Commercial Code (*Handelsgesetzbuch*) and Regulation (EU) No 537/2014 and in compliance with generally accepted auditing standards in Germany, as stated in their independent auditor's report (*Bestätigungsvermerk des unabhängigen Abschlussprüfers*) thereon.

The Audited Consolidated Financial Statements of Deutsche Wohnen were prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315e para. 1 of the German Commercial Code (*Handelsgesetzbuch*).

The Unaudited Interim Consolidated Financial Statements of Deutsche Wohnen were prepared in accordance with IFRS for interim financial reporting (IAS 34).

In addition, the Prospectus includes pro forma financial information prepared by the Company in accordance with Commission Delegated Regulation (EU) 2019/980 of March 14, 2019 to illustrate certain effects of the Deutsche Wohnen Transaction (the ***Pro Forma Financial Information***). Based on information available at the time of the preparation of the Pro Forma Financial Information, certain adjustments were made to Deutsche Wohnen's financial information which included the re-classification of certain line items. In connection with these adjustments, certain assumptions were made, all of which are reflected in the notes to the Pro Forma Financial Information. For further information, see "*11.4.2 Pro forma assumptions*".

2.10.2 Segmentation of Vonovia

The Company manages its business in four segments: Rental, Value-add, Recurring Sales and Development. In addition to these four segments, the Company also reports on the Other segment, which is not relevant from a corporate management perspective.

The ***Rental*** segment combines all of the business activities that are aimed at the value-enhancing management of the Company's own residential real estate. It includes its property management activities in Germany, Austria and Sweden.

The ***Value-add*** segment bundles all of the housing-related services that the Company has expanded its core rental business to include. These services include both the maintenance and modernization work on the Company's residential properties and services that are closely related to the rental business. The Company allocates the activities relating to the craftsmen's and residential environment organization, the condominium administration business, the cable TV business, metering services, energy supplies and the Company's insurance services to the Value-add segment.

The ***Recurring Sales*** segment includes the regular and sustainable disposals of individual condominiums from the Company's portfolio. It does not include the sale of entire multi-apartment buildings or land (Non-core Disposals). These properties are only sold as and when the right opportunities present themselves, meaning that the sales do not form part of the Recurring Sales segment. The Company reports these opportunistic sales in the Other column of the segment report.

The ***Development*** segment includes project development to build new living and commercial space. This covers the value chain starting with the purchase of land without any development plan/dedicated purpose and ending with the completion of new buildings and new construction measures on the Company's own properties. These properties are either incorporated into the Company's own portfolio or sold to third parties. The Development segment deals with projects in selected attractive locations. Project development work is currently focusing on Berlin, Hamburg, Germany's Rhine-Main district and Vienna. The value creation from the valuation of the properties at market prices will be allocated to the Development segment when these residential properties are incorporated into the Company's own portfolio.

The ***Other*** segment includes the sale, only as and when the right opportunities present themselves, of entire buildings or land (***Non-core Disposals***) that are likely to have below-average development potential in terms of rent growth in the medium term and are located in areas that can be described as peripheral compared with Group's overall portfolio and in view of future acquisitions.

Following the consolidation of Deutsche Wohnen effective as of September 30, 2021 and reflective of the group structure of Deutsche Wohnen, the management of Vonovia intends to report Deutsche Wohnen as a separate segment in the consolidated financial statements as of December 31, 2021.

2.10.3 First-time adoption of IFRS standards

The following new or amended standards and interpretations became mandatory for the first time in the 2020 fiscal year: Amendment to References to the Conceptual Framework in IFRS Standards, IAS 1 "Presentation of Financial Statements", IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 3 "Business Combinations", IFRS 7 "Financial Instruments: Disclosures", IFRS 9 "Financial Instruments" and IFRS 16 "Leases". None of the other new or amended standards had a material impact on the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2020.

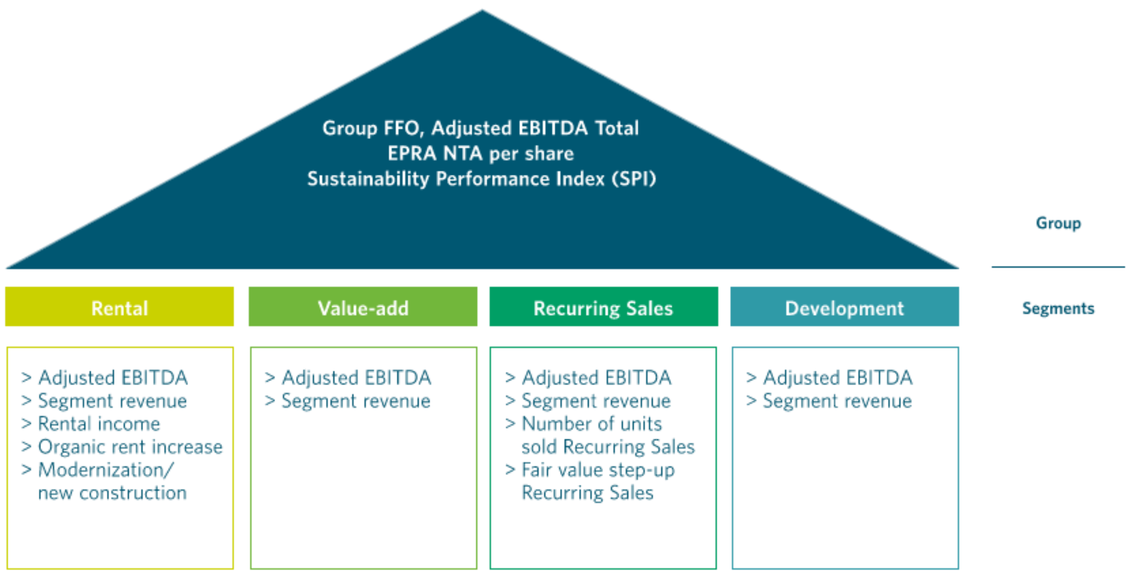
The following new or amended standards and interpretations became mandatory for the first time in the 2019 fiscal year: Improvements and supplements to a selection of IFRS 2015–2017, IAS 19 "Employee Benefits", IAS 28 "Investments in Associates and Joint Ventures", IFRS 9 "Financial

Instruments", IFRS 16 "Leases" and IFRIC 23 "Uncertainty over Income Tax Treatments". Other than IFRS 16, none of the other new or amended standards had a material impact on the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2019. For more information on the impact of the adoption of IFRS 16, see Note 8 (Changes in Accounting Policies, Estimates, Assumptions, Options and Judgments) to the aforementioned Audited Consolidated Financial Statements.

2.11 Alternative Performance Measures and Key Performance Indicators of Vonovia

As of 2021, the most meaningful alternative performance measures (collectively, ***APMs***) and non-financial key performance indicators (collectively, ***KPIs***) at Group level within the meaning of the German Accounting Standard No. 20 (***GAS 20***) are the Group FFO, the Adjusted EBITDA Total, the EPRA NTA per share and the Sustainability Performance Index (***SPI***) (each as defined below). As of 2021, the most meaningful APMs and KPIs at the segment level are segment revenues, Adjusted EBITDA, organic rent increase, modernization and new construction, number of units sold Recurring Sales and Fair Value step-up Recurring Sales (each as defined below). See "*2.11.1 Alternative performance measures*" and "*2.11.2 Key performance indicators*" for further information on the Group's APMs and KPIs.

The following diagram shows how the aforementioned APMs and KPIs are allocated at the Group level and segment level:



2.11.1 Alternative performance measures

This Prospectus contains certain APMs.

These APMs are not required by, or presented in accordance with, IFRS, German GAAP or any other generally accepted accounting principles. Certain of these measures are derived from the IFRS accounts of the Company and others are derived from management reporting or the accounting or controlling systems of the Company. These are APMs as defined in the guidelines issued by the European Securities and Markets Authority (***ESMA***) on October 5, 2015 on alternative performance measures (***ESMA Guidelines***).

The Group presents APMs because they are used by management in monitoring, evaluating and managing its business and management believes these measures provide an enhanced understanding of the Group's underlying financial results and related trends. The Group considers Adjusted EBITDA Development, Adjusted EBITDA Recurring Sales, Adjusted EBITDA Rental, Adjusted EBITDA Total, Adjusted EBITDA Value-add, Group FFO, Group FFO per share and Total Segment Revenue to be useful metrics for evaluating the Group's trading performance and ability to generate recurring sales as they facilitate comparisons of Group's core operating results from period to period. The Group considers EPRA NTA and EPRA NTA per share to be useful metrics for evaluating the equity value of the Company. The APMs Adjusted NAV and Adjusted NAV per share were historically used by the Group for the same purpose as the EPRA NTA and EPRA NTA per share APMs, which have now replaced them (as further described in the table below). The Group considers the LTV Ratio to be a useful metric for evaluating and managing its capital structure. Further, management believes these and similar measures are frequently used by securities analysts, investors and other interested parties in evaluating companies in its industry.

The definitions of the APMs may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should, therefore, not be considered in isolation or as a substitute for analysis of the Group's operating results as reported under IFRS or German GAAP. The APMs presented in this Prospectus are not measurements of the Group's or the Company's performance or liquidity under IFRS or German GAAP and should not be considered as alternatives to results for the period or any other performance measures derived in accordance with IFRS, German GAAP or any other generally accepted accounting principles or as alternatives to cash flow from operating, investing or financing activities.

The table below provides the definition and purpose of each financial APM as well as a reconciliation of how each APM is calculated from the Group's results reported under IFRS.

APM	Purpose and description	Calculation from IFRS
Adjusted EBITDA Development	The Company bundles all business activities aimed at the development of attractive residential real estate projects both for its own portfolio and for sale to third parties in the Development segment. In addition to the revenue from the sale of residential properties built in the reporting year to third parties and the associated costs, the Company also records the Fair Value that newly constructed properties create for its own portfolio, as well as the associated costs, as a means of measuring the success of the Development segment. The Company manages these business activities using the Adjusted EBITDA Development. The Adjusted EBITDA Development includes the gross profit from the development activities of "to sell" projects (income from sold development projects less production costs) and the gross profit from the development activities of "to hold" projects (Fair Value of the units developed for the company's own portfolio less incurred production costs) less the operating expenses from the Development segment.	Revenue from disposal of "Development to sell" properties (-) Cost of Development to sell = Gross profit Development to sell (+) Fair Value Development to hold (-) Cost of Development to hold = Gross profit Development to hold (+) Rental revenue Development (-) Operating expenses in the Development segment = Adjusted EBITDA Development
Adjusted EBITDA Recurring Sales	The Company measures the success of its sales activities using the Adjusted EBITDA Recurring Sales. The Adjusted EBITDA Recurring Sales compares the proceeds generated from privatization business with the Fair Values of assets sold and also deducts the related costs of sale. In order to disclose profit and revenue in the period in which they are incurred and to report a sales margin, the Fair Value of properties sold, valued in accordance with IFRS	Segment Revenue Sales (-) Fair Value of properties sold adjusted to reflect effects not relating to the period from assets held for Recurring Sales = Adjusted result Recurring Sales (-) Selling costs in the Recurring Sales segment = Adjusted EBITDA Recurring Sales

APM	Purpose and description	Calculation from IFRS
	5, have to be adjusted to reflect realized/unrealized changes in value.	
Adjusted EBITDA Rental	The Adjusted EBITDA Rental reflects the operating profit from residential property management. The Adjusted EBITDA Rental is calculated by deducting the operating expenses of the Rental segment and the expenses for maintenance in the Rental segment from the Group's rental income.	Revenue in the Rental segment (-) Expenses for maintenance (-) Operating expenses in the Rental segment = Adjusted EBITDA Rental
Adjusted EBITDA Total **.**	The Adjusted EBITDA Total expresses the overall performance of the Company's sustainable operating business before interest, taxes, depreciation and amortization. Adjusted EBITDA Total is the result before interest, taxes, depreciation and amortization (including income from other operational investments and intragroup profits) adjusted for effects that do not relate to the period or recur irregularly or that are atypical for business operation, and for net income from fair value adjustments to investment properties. These non-recurring items include transaction costs for acquisition and integration projects, personnel matters, research and development costs for analysis of new fields of business, business model optimization for development of new businesses and organizational development, and expenses for refinancing and equity increases. The Adjusted EBITDA Total is derived from the sum of the Adjusted EBITDA Rental, Adjusted EBITDA Value-add, Adjusted EBITDA Recurring Sales and Adjusted EBITDA Development.	Adjusted EBITDA Rental (+) Adjusted EBITDA Value-add (+) Adjusted EBITDA Recurring Sales (+) Adjusted EBITDA Development = Adjusted EBITDA Total
Adjusted EBITDA Value-add **..................................**	The Value-add segment encompasses all of the business activities relating to the expansion of the Company's core business to include services that are closely related to and/or influence the rental business. The Company manages these business activities using the Adjusted EBITDA Value-add. The Adjusted EBITDA Value-add is calculated by deducting operating expenses from the segment's income.	Segment Revenue Value-add thereof internal revenue thereof external revenue (-) Operating expenses in the Value-add segment = Adjusted EBITDA Value-add
Adjusted NAV or ***Adjusted Net Asset Value*** **.............**	In addition to the Company's operational earnings power, the value of the Company's property assets and the Company's modernization and new construction measures are decisive for the further development of the value of the Company. The Adjusted Net Asset Value (Adjusted NAV) is used to manage the company's value. With effect from the 2021 fiscal year, this APM has been replaced by EPRA NTA.	Total equity attributable to Vonovia's shareholders (+) Deferred taxes on investment properties (+) Fair Value of derivative financial instruments* (+) Deferred taxes on derivative financial instruments (-) Goodwill = Adjusted NAV * Adjusted for effects from cross currency swaps.

APM	Purpose and description	Calculation from IFRS
***Adjusted NAV per share*.**	The indicator relevant from a corporate management perspective is the Adjusted NAV per share. With effect from the 2021 fiscal year, this APM has been replaced by EPRA NTA per share.	Adjusted NAV (/) Number of shares on the reporting date = Adjusted NAV per share
***EPRA NTA or EPRA Net Tangible Assets* ....**	With effect from the 2021 fiscal year, the Company will be managing the value of the Company using the EPRA Net Tangible Assets (EPRA NTA), which replaces the Adjusted Net Asset Value (Adjusted NAV) reported to date. The Company's calculations are based on the best practice recommendations of the EPRA.	Total equity attributable to Vonovia's shareholders (+) Deferred tax in relation to Fair Value gains of investment properties* (+) Fair Value of financial instruments** (-) Goodwill (-) Intangible assets (+) Real estate transfer tax* = EPRA NTA * Share for core and hold portfolio (*i.e.* the portfolio which is not intended to sell). ** Adjusted for effects from cross currency swaps.
***EPRA NTA per share*.....**	The indicator that is relevant from a corporate management perspective is the EPRA NTA per share. With effect from the 2021 fiscal year, this APM has replaced Adjusted NAV per share.	EPRA NTA (/) no. of shares as of the reporting date = EPRA NTA per share
***Group FFO*....................**	Group FFO represents the sustainable earnings power of the operating business. As financing is a fundamental component for the success of the Company's business activities, the Company deducts the current interest expense, adjusted for special circumstances (FFO interest expense), from the Adjusted EBITDA Total. Group FFO also takes into account current income taxes excluding current income taxes resulting from non-core sales (current income taxes FFO) and consolidation effects. For example, for the 2019 and 2020 fiscal years, consolidation effects included adjustments for intragroup profits, gross profit development to hold and IFRS 16 effects. Group FFO reflects the recurring earnings from the operating business. In addition to the adjusted EBITDA for the Rental, Value-add, Recurring Sales and Development segments, Group FFO allows for recurring current net interest expenses from non-derivative financial instruments as well as current income taxes.	Adjusted EBITDA Total (-) FFO interest expense (-) Current income taxes FFO (-) Consolidation = Group FFO Group FFO reflects the recurring earnings from the operating business and is calculated by deducting the current interest expense, adjusted for special circumstances (FFO interest expense) from the Adjusted EBITDA Total.
***Group FFO per share*.....**	The indicator relevant from a corporate management perspective is the Group FFO per share.	Group FFO (/) Number of shares on the reporting date = Group FFO per share
***loan-to-value ratio* or *LTV Ratio*...............................**	An additional non-operational key financial figure, the loan-to-value ratio (LTV Ratio) is used for monitoring the degree to which debt is covered by the value of the properties. This key figure helps the real estate sector ensure a	Non-derivative financial liabilities (-) Foreign exchange rate effects (-) Cash and cash equivalents = Net debt Net debt

APM	Purpose and description	Calculation from IFRS
	sustainable ratio of borrowings to the Fair Values of the Company's properties. It shows the ratio of non-derivative financial liabilities pursuant to IFRS, less foreign exchange rate effects, cash and cash equivalents less advance payments received by Development (period-related), receivables from disposals, plus purchase prices for outstanding acquisitions to the total Fair Values of the real estate portfolio, Fair Values of the projects/land currently under construction as well as receivables from the sale of real estate inventories (period-related) plus the Fair Values of outstanding acquisitions and investments in other real estate companies.	(-) Sales receivables = Adjusted net debt Fair Value of the real estate portfolio (+) Shares in other real estate companies = Adjusted Fair Value of the real estate portfolio Adjusted net debt (/) Adjusted Fair Value of the real estate portfolio = LTV Ratio
Total Segment Revenue ..	When it comes to managing the growth of the Company, the Company also focuses on Total Segment Revenue. This key figure supplements the organic rent growth reported to date, which is based solely on like-for-like growth in the Rental segment. Total Segment Revenue includes all income generated by the four segments that contributes to value creation, *i.e.* that covers costs and makes an earnings contribution	Rental income (+) Other income from property management unless included in the operating expenses in the Rental segment (+) Income from disposals Recurring Sales (+) Internal revenue Value-add (+) Income from disposal of properties (Development) (+) Fair Value Development to hold = Total Segment Revenue

For a reconciliation of APMs to results or any other performance measures derived in accordance with IFRS, see "*8.3 Selected Other Key Performance Indicators*".

For APMs used by Deutsche Wohnen, see "*10.5.6 Alternative performance measures of Deutsche Wohnen*".

2.11.2 Key performance indicators

In addition to its APMs, the Group also uses certain KPIs to monitor, evaluate and manage its business. The table below provides the definition and purpose of each KPI as well as the method for determining each KPI.

KPI	Purpose and description	Calculation
Customer Satisfaction Index or CSI	In 2020, the fourth most meaningful performance indicator at overall Group level, in addition to the financial performance indicators, was the Customer Satisfaction Index (CSI). It shows the effectiveness and sustainability of the Company's services for the customer.	The CSI is determined at regular intervals in systematic customer surveys conducted by an external service provider.
Fair Value step-up Recurring Sales	The Fair Value step-up Recurring Sales shows the percentage increase in value for the company on the sale of a residential unit before further costs of sale.	The Fair Value step-up Recurring Sales represents the difference between the income from the sale of a privatized residential unit and its last recognized Fair Value compared to its last recognized Fair Value.
number of units sold from Recurring Sales	The number of units sold from Recurring Sales shows the Company's ongoing efforts in the privatization business.	This APM is calculated as the number of units sold from Recurring Sales.
organic rent increase	The monthly in-place rent per square meter gives information on the average rental income	The organic rent increase refers to the increase in the monthly in-place rent for the residential

KPI	Purpose and description	Calculation
	from the rented properties as of the relevant reporting date. The organic growth shows the growth of the rental income on a like-for-like portfolio basis, *i.e.* without any growth resulting from acquisitions of residential units.	portfolio that was already held by Vonovia twelve months previously and rented as of the reporting date, plus the increase in rent resulting from the construction of new apartments and the addition of stories to existing properties.
***SPI*.................................**	The Company's sustainable activities are geared towards the top sustainability topics that the Company has identified, which are bundled in the SPI. The CSI, the indicator that was alone relevant until the end of 2020, is included in the calculation of the SPI.	Indicators in the new index are (i) the reduction of annual CO_2 emission per square meter in housing stock, (ii) the share of senior-friendly modernized apartments in relation to newly let apartments, (iii) the energy efficiency of new constructions, (iv) the increase in customer satisfaction, (v) the increase in employee satisfaction and (vi) diversity in the company's top management team. Each component is assigned an individual weighting factor and a defined annual target amount. The individually weighted parameters together make up a target value of 100% to be achieved every year.
***Modernization and new construction*...................**	Modernization and new construction reflect the spending for the investments in the Company's portfolio resulting in an additional rental income as well as the expansion of the Company's portfolio by adding newly constructed apartments.	The key figure describes the investment volume invested in modernization and new construction in the reporting period.

2.12 Documents Available for Inspection

For the period during which this Prospectus is valid, copies of the following documents will be available for inspection during regular business hours at the Company's business address at Universitätsstraße 133, 44803 Bochum, Germany:

- the Company's articles of association (the ***Articles of Association***);
- the Audited Consolidated Financial Statements;
- the Unaudited Condensed Interim Consolidated Financial Statements;
- the Company's audited financial statements prepared in accordance with the German Commercial Code (*Handelsgesetzbuch*) as of and for the fiscal year ended December 31, 2020;
- the Unaudited Interim Consolidated Financial Statements of Deutsche Wohnen;
- the Audited Consolidated Financial Statements of Deutsche Wohnen;
- the Vonovia Valuation Reports; and
- the Deutsche Wohnen Valuation Report.

The aforementioned documents will also be available in electronic form from the Company on its website (www.vonovia.de) as long as this Prospectus is valid and the Audited Consolidated Financial Statements and the Unaudited Condensed Interim Consolidated Financial Statements will also be available from the German Company Register (*Unternehmensregister*) (www.unternehmensregister.de). The Company's future consolidated annual and interim financial statements and unconsolidated annual financial statements will be available from the Company on its website (www.vonovia.de) and will also be published in the German Federal Gazette (*Bundesanzeiger*). Information on the aforementioned websites and information accessible via these websites are neither part of, nor incorporated by reference in, this Prospectus.

3. THE OFFERING

3.1 Subject Matter of the Offering

The Prospectus relates to the Offering (as defined below) of 201,340,062 New Shares, each such share with a notional value of EUR 1.00 in the share capital of the Company and full dividend rights as from January 1, 2021.

The New Shares will result from a capital increase against contribution in cash with indirect subscription rights (*mittelbare Bezugsrechte*) to existing shareholders pursuant to Section 186(5) of the German Stock Corporation Act (*Aktiengesetz*). Exercising the authorization pursuant to Section 5 of the Articles of Association (authorized capital created by the Company's annual shareholders' meeting on April 16, 2021, the Management Board resolved on November 21, 2021, with approval of the Supervisory Board on November 21, 2021, to increase the share capital from EUR 575,257,327.00 by EUR 201,340,062.00 to EUR 776,597,389.00 by issuing 201,340,062 New Shares. The New Shares will be offered by BofA Securities, Morgan Stanley, Société Générale, BNP Paribas, Citigroup, Commerzbank, Deutsche Bank, GS, ING, IMI-Intesa Sanpaolo, J.P. Morgan, LBBW, UBS, UniCredit and the Company to existing shareholders at a subscription ratio of 7:20 (the ***Subscription Ratio***), *i.e.* 7 New Shares may be acquired at the subscription price of EUR 40.00 per New Share (the ***Subscription Price***) for 20 existing shares (the ***Subscription Offer***). In order to facilitate an even subscription ratio, one of the existing shareholders has waived its subscription rights for 7 New Shares. Subscription rights which are not exercised during the period from and including November 24, 2021, up to and including December 7, 2021 at 12.00 (midnight) CET (the ***Subscription Period***) will lapse and be of no value. No compensation will be payable for subscription rights that are not exercised.

The Subscription Offer will include (i) a public offering in Germany and Luxembourg, (ii) private placements in certain jurisdictions outside Germany, Luxembourg and the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act of 1933, as amended (the ***Securities Act***), and (iii) private placements in the United States pursuant to an exemption from registration under the Securities Act to qualified institutional buyers as defined in Rule 144A under the Securities Act. The New Shares and the subscription rights have not been and will not be registered under the Securities Act, or the securities laws of any other jurisdiction of the United States, its territories and possessions, any state of the United States or the District of Columbia, and may not be offered, sold or otherwise transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction in the United States.

Any New Shares that are not subscribed for in the Subscription Offer (the ***Rump Shares***) will be offered by the Joint Bookrunners in a rump placement by way of private placements (i) to selected qualified investors in certain jurisdictions outside the United States in offshore transactions in reliance on Regulation S under the Securities Act, and (ii) in the United States to qualified institutional buyers in reliance on Rule 144A under the Securities Act (the ***Rump Placement*** and, together with the Subscription Offer, the ***Offering***).

The Company and the Joint Bookrunners entered into an underwriting agreement dated November 21, 2021 (the ***Underwriting Agreement***), which provides for a firm underwriting of the New Shares not sold in the Offering by the Joint Bookrunners. The Offering is subject to, among other things, registration of the implementation of the capital increase in the commercial register of the Company, which is expected to occur on December 3, 2021.

On November 21, 2021, certain funds managed by APG Asset Management N.V. (***APG***) and Norges Bank, the Central Bank of Norway, (***Norges Bank***) have irrevocably undertaken towards the Company as well as towards the Joint Bookrunners as third party beneficiaries to exercise in full the subscription rights to which they are each entitled in accordance with the capital increase. To date, APG holds approximately 4.04% of the Company's share capital and Norges Bank holds approximately 11.14% of the Company's share capital.

3.2 Expected Timetable

The following is the expected timetable of the Offering, which may be extended or shortened:

November 22, 2021	Approval of this Prospectus by BaFin Notification of the approved prospectus to the *Commission de Surveillance du Secteur Financier* in Luxembourg by BaFin Publication of this Prospectus on the Company's website
November 23, 2021	Publication of the Subscription Offer in the German Federal Gazette (*Bundesanzeiger*)
November 24, 2021	Commencement of the Subscription Period Commencement of subscription rights trading "Ex rights" trading shares
November 26, 2021	Credit of the subscription rights by the depositary banks to the depositary accounts of the Company's shareholders based on their holdings in the Shares as of 6.00 p.m. CET on November 25, 2021 (Record date)
November 29, 2021	Application for the registration of the implementation of the capital increase from authorized capital with the commercial register (*Handelsregister*)
December 2, 2021 at 12.00 (noon) CET	End of subscription rights trading
December 3, 2021	Expected registration of the implementation of the capital increase from authorized capital with the commercial register (*Handelsregister*)
December 6, 2021	Application for the admission to trading of the New Shares on the regulated market of the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and on the regulated market of the Luxembourg Stock Exchange (*Bourse de Luxembourg*)
December 7, 2021 at 12.00 (midnight) CET	End of the Subscription Period Last day for payment of the Subscription Price
December 8, 2021	Announcement of the results of the Subscription Offer on the Company's website Placement of the Rump Shares Announcement of the final results of the Offering on the Company's website
December 9, 2021	Admission decision to be issued by the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the Luxembourg Stock Exchange (*Bourse de Luxembourg*) Publication of the admission in the German Federal Gazette (*Bundesanzeiger*) and on the website of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (http://www.deutsche-boerse.com)
December 13, 2021	Commencement of trading in the New Shares by inclusion in the Company's current stock quotation on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the sub-

segment thereof with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and on the regulated market of the Luxembourg Stock Exchange (*Bourse de Luxembourg*)

Book-entry delivery of the New Shares subscribed for during the Subscription Period

Book-entry delivery of the Rump Shares placed in the Rump Placement

This Prospectus will be published on the Company's website https://investoren.vonovia.de/en/ under the section "Transactions – Voluntary Offer for Deutsche Wohnen". Printed copies of this Prospectus are available from the Company free of charge during normal business hours at the following address: Universitätsstraße 133, 44803 Bochum, Germany (telephone: +49 (0) 234- 314-0).

3.3 Subscription Offer

The German-language version of the below Subscription Offer will be published in the German Federal Gazette (*Bundesanzeiger*) on or around November 23, 2021:

"**VONOVIA SE**

Bochum, Germany

ISIN DE000A1ML7J1 / WKN A1ML7J

Subscription Offer

On November 21, 2021, the management board of Vonovia SE (the ***Company***) resolved, with the approval of the Company's supervisory board on November 21, 2021, to exercise the authorization pursuant to Section 5 of the Company's articles of association (authorized capital created by the Company's shareholders' meeting on April 16, 2021) to increase the share capital from EUR 575,257,327.00 by EUR 201,340,062.00 to EUR 776,597,389.00 by issuing 201,340,062 new no-par value (*Stückaktien*) registered (*Namensaktien*) ordinary shares (the ***New Shares***). The New Shares will result from a capital increase against contribution in cash with indirect subscription rights (*mittelbare Bezugsrechte*) to existing shareholders pursuant to Section 186 para. 5 of the German Stock Corporation Act (*Aktiengesetz*). The New Shares will be issued at a subscription price of EUR 40.00 per New Share and with full dividend rights as from January 1, 2021.

The shareholders are not entitled to purchase New Shares or to a cash compensation if and to the extent that the subscription ratio leads to fractional claims for shares.

In order to ensure an even subscription ratio, one of the existing shareholders of the Company has undertaken to waive the exercise of the subscription rights from 7 shares.

BofA Securities Europe SA (***BofA Securities***), Morgan Stanley Europe SE (***Morgan Stanley***) and Société Générale (***Société Générale***, and, together with BofA Securities and Morgan Stanley Europe SE, the ***Joint Global Coordinators***), BNP PARIBAS (***BNP Paribas***), Citigroup Global Markets Europe AG (***Citigroup***), COMMERZBANK Aktiengesellschaft (***Commerzbank***), Deutsche Bank Aktiengesellschaft (***Deutsche Bank***), Goldman Sachs Bank Europe SE (***GS***), ING Bank N.V. (***ING***), Intesa Sanpaolo S.p.A. (***IMI-Intesa Sanpaolo***), J.P. Morgan AG (***J.P. Morgan***), Landesbank Baden-Württemberg (***LBBW***), UBS AG London Branch (***UBS***) and UniCredit Bank AG (***UniCredit*** and, together with BNP Paribas, Citigroup, Commerzbank, Deutsche Bank, GS, ING, IMI-Intesa Sanpaolo, J.P. Morgan, LBBW, UBS and the Joint Global Coordinators, the ***Joint Bookrunners***) have agreed, pursuant to an underwriting agreement dated November 21, 2021 (the ***Underwriting Agreement***), to subscribe the New Shares and offer the New Shares to the Company's existing shareholders during the subscription period for indirect subscription at the subscription ratio and at the subscription price per New Share (the ***Subscription Offer***). The Underwriting

Agreement provides for a firm underwriting of the New Shares not sold in the offering by the Joint Bookrunners.

The registration of the implementation of the capital increase in the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Bochum is expected to occur on December 3, 2021.

The subscription rights (ISIN DE000A3MQB30/WKN A3MQB3) attributable to the existing shares of the Company (ISIN DE000A1ML7J1/WKN A1ML7J) will automatically be delivered by Clearstream Banking AG, Mergenthalerallee 61, 65760 Eschborn, Federal Republic of Germany (***Germany***), to the custodian banks on November 26, 2021 as per the status on November 25, 2021 at 6.00 p.m. CET (Record Date). The custodian banks are responsible for booking the subscription rights to the eligible depositary accounts of the Company's existing shareholders.

As of November 24, 2021, the existing shares of the Company (ISIN DE000A1ML7J1/WKN A1ML7J) will be quoted as "ex rights" on the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the Luxembourg Stock Exchange (*Bourse de Luxembourg*).

The Company kindly requests its shareholders to exercise their subscription rights to the New Shares during the period from and including November 24, 2021 up to and including December 7, 2021 (the *Subscription Period*) through their respective depositary bank at the subscription agent (*Hauptbezugsstelle*), UniCredit Bank AG, during regular banking hours. Investors are recommended to follow the respective instructions by their custodian banks. Subscription rights that are not exercised during this period will lapse and be of no value. No compensation will be awarded for subscription rights that will not be exercised.

UniCredit Bank AG, Arabellastraße 12, 81925, Munich, Germany acts as subscription agent (***Subscription Agent***).

In accordance with the subscription ratio of 7:20, 20 existing shares of the Company entitle the holder to subscribe for 7 New Shares at the subscription price per New Share. Shareholders may only subscribe for one share or multiples thereof. The notice of the exercise of subscription rights is binding upon its receipt by the Subscription Agent and cannot be altered afterwards. The exercise of the subscription rights is, however, conditional upon the registration of the implementation of the capital increase in the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Bochum and subject to the other limitations set forth below under *Important Notice*.

Subscription Price

The subscription price per New Share is EUR 40.00 (the ***Subscription Price***). The Subscription Price must be paid at the latest on December 7, 2021.

Trading in Subscription Rights

In connection with the Subscription Offer of the New Shares, the subscription rights (ISIN DE000A3MQB30/WKN A3MQB3) for the New Shares and fractional amounts of subscription rights will be traded during the period from and including November 24, 2021, up to and including December 2, 2021 (until the respective closing auction for subscription rights) on the regulated market (Xetra and Xetra Frankfurt Specialist) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*). Neither the Company nor the Subscription Agent has applied for admission of the subscription rights to trading on any other stock exchange nor does it intend to do so.

The market price of the subscription rights depends, inter alia, on the development of the price of the Company's shares but it may deviate substantially from the price of the Company's shares. No compensation will be paid for subscription rights not exercised. Upon expiration of the subscription period, subscription rights not exercised will lapse and be of no value. The purchase of 20 subscription rights enables the exercise of the subscription rights for the purchase of 7 New Shares, *i.e.* 7 New Shares may be purchased for 20 subscription rights.

Morgan Stanley may effect transactions to provide liquidity for fair and orderly subscription rights trading and other measures customarily undertaken in this regard, such as in particular purchasing and selling subscription rights for New Shares or undertaking hedging transactions in the Company's shares, subscription rights or corresponding derivatives. Such measures and hedging transactions may influence the stock price or market rate of the subscription rights and shares in the Company. However, there is no guarantee such transactions will take place and that active trading in the Company's subscription rights will develop on the aforementioned stock exchange and that there will be enough liquidity during the period of subscription rights trading.

The price of the subscription rights is determined continuously during the ordinary times of trading. On December 2, 2021, the subscription rights trading on Xetra will end with a closing auction starting not before 11.45 a.m. CET and on Xetra Frankfurt Specialist with an independent special auction starting from 12.00 (noon) CET.

The market price for the subscription rights depends, among other things, on the development of the share price of the Company but may fluctuate more strongly than the share price.

Share Certificates and Delivery of the New Shares

The New Shares (ISIN DE000A1ML7J1/WKN A1ML7J) will be issued as no-par value (*Stückaktien*) registered (*Namensaktien*) ordinary shares. The New Shares will be represented by one global share certificate, which will be held in a collective custody securities account with Clearstream Banking AG, Frankfurt, Germany.

According to the Company's articles of association, the rights of shareholders to receive definitive share certificates for their shares shall be excluded. Likewise, the right of shareholders to dividend coupons and renewal coupons shall be excluded.

Unless the Subscription Period is extended or the Subscription Offer is cancelled, the New Shares subscribed for in the Subscription Offer are expected to be made available to the collective securities custody as co-ownership interests in the global share certificate on December 13, 2021. In the same way, the New Shares acquired in the rump placement are expected to be made available on December 13, 2021, *i.e.* after the end of the rump placement (the ***Rump Placement***). The New Shares hold the same rights as all other shares of the Company (including full dividend rights from the fiscal year starting January 1, 2021) and are not vested with any additional rights or benefits.

Commissions Charged by Custodian Banks

The custodian banks may charge a customary commission in connection with the subscription of the New Shares as well as for the sale and purchase of subscription rights.

Placement of Unsubscribed Shares (Rump Placement)

The New Shares not subscribed in the Subscription Offer (***Rump Shares***) will be offered for sale by the Joint Bookrunners in the Rump Placement at a price at least equivalent to the Subscription Price (i) to qualified investors in private placements outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act of 1933, as amended (the ***Securities Act***), and (ii) in the United States of America (***United States***) to qualified institutional buyers in reliance on Rule 144A under the Securities Act.

Admission to Trading of the New Shares

The admission of the New Shares to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) and on the regulated market of the Luxembourg Stock Exchange (*Bourse de Luxembourg*) is expected to be granted on December 9, 2021. The New Shares are expected to be included in the existing quotation for the Company's listed shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the regulated market of the Luxembourg Stock Exchange (*Bourse de Luxembourg*) on December 13, 2021.

Selling Restrictions

The New Shares and the subscription rights will only be publicly offered in Germany and Luxembourg. The New Shares and the subscription rights have not been and will not be registered under the Securities Act or with the securities regulatory authority of any individual state or other jurisdiction of the United States. The New Shares and the subscription rights may neither be offered, sold, exercised, pledged, transferred nor delivered directly or indirectly to or within the United States, except pursuant to an exemption from the registration requirements of the Securities Act and the securities laws of the respective individual states of the United States apply and in accordance with further applicable laws of the United States.

The acceptance of this offer outside Germany may be subject to restrictions. Persons who intend to accept this offer outside Germany or Luxembourg are requested to inform themselves with regard to and comply with the restrictions that exist outside Germany and Luxembourg.

Important Notice

Existing shareholders and new investors are advised to carefully read the Prospectus dated November 22, 2021 and to take particular note of the risks described in the section "*1 Risk Factors*" starting at page 1 of the Prospectus and to consider such information when making their decision, before making a decision to exercise, acquire or sell any subscription rights or to acquire any shares. The Prospectus is available on the Company's website (https://investoren.vonovia.de/en/ under the section "Transactions – Capital Increase (Deutsche Wohnen Transaction)"). In light of the potentially high volatility of equity prices and the market environment, shareholders should inform themselves of the Company's current share price before exercising their subscription rights for the New Shares at the subscription price. The Joint Bookrunners are entitled to terminate the Underwriting Agreement or decide together with the Company to extend the subscription period or to postpone the implementation of the Subscription Offer under certain conditions. These conditions include, in particular, (i) material restrictions on stock exchange trading or banking activities, the outbreak or escalation of hostilities or war, or the occurrence of acts of terrorism or other calamity or crisis if such conditions make it impracticable or inadvisable to market the New Shares or to enforce contracts for the sale of the New Shares and/or likely to prejudice materially the success of the capital increase, the distribution of the New Shares or dealings in the New Shares in the secondary market, and (ii) material adverse changes in the business or financial condition, prospects, shareholders' equity or results of operations of the Company and/or the Group and a rating downgrade. The Joint Bookrunners are also relieved from their obligations under the Underwriting Agreement if the implementation of the capital increase has not been registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Bochum by December 3, 2021, 11:59 p.m. CET and if the Company and the Joint Bookrunners fail to agree on a later deadline.

In case the Joint Bookrunners withdraw from the Underwriting Agreement prior to the registration of the capital increase with the commercial register (*Handelsregister*), subscription rights may expire without compensation. In such a case, a reverse transaction relating to the trading of subscription rights will not take place and investors who purchased subscription rights could suffer a loss. In addition, if at the time of the termination any sales of New Shares have already been made, the seller of the relevant shares bears the risk of not being able to meet the delivery obligation by delivering New Shares. In case the Joint Bookrunners terminate the Underwriting Agreement after the capital increase has been registered with the commercial register (*Handelsregister*), shareholders and purchasers of subscription rights who have exercised their subscription rights may acquire New Shares at the Subscription Price. In case the Joint Bookrunners withdraw from the Underwriting Agreement after the Subscription Offer has been completed, which is also possible following delivery, settlement and the listing of the New Shares subscribed for in the offering, such withdrawal would only apply to New Shares that were not subscribed for.

Publication of the Prospectus

In connection with the Subscription Offer, a securities prospectus of the Company dated November 22, 2021, for the public offering of the New Shares (the ***Prospectus***) has been published on the Company's website (https://investoren.vonovia.de/en/ under the section "Transactions – Capital Increase (Deutsche Wohnen Transaction)"). Printed copies of this Prospectus will be available for distribution free of charge at and upon inquiry with Vonovia SE, Universitätsstraße 133, 44803 Bochum, Germany, during regular business hours.

Bochum, November 2021

VONOVIA SE

The Management Board"

3.4 Sale of Subscription Rights and Subscription Rights Remaining Unexercised

The subscription rights are freely transferable. To the extent provided for in the terms and conditions of the custodian banks, these banks will use their best efforts to dispose of the subscription rights at the best possible price, unless the party entitled to the subscription issues an instruction regarding the exercise of its subscription rights. Subscription rights remaining unexercised will lapse and be of no value.

3.5 General and Specific Information on the Shares

3.5.1 Voting rights

The New Shares are no-par value registered ordinary shares, each representing a notional value of EUR 1.00 of the share capital of the Company. Each New Share carries one vote at the shareholders' meeting. There are no existing restrictions on voting rights.

3.5.2 Dividend and liquidation rights

The New Shares carry full dividend rights as from January 1, 2021 – to the extent legally possible – and grant the same rights as all other no-par value registered ordinary shares of the Company. In the event of the Company's liquidation, any proceeds will be distributed to the holders of the Company's shares in proportion to their interest in the Company's share capital.

3.5.3 Form and certification of the shares

All of the Company's Shares are no-par value registered ordinary shares. All Shares in the Company are represented by global share certificates, which are deposited with Clearstream Banking Aktiengesellschaft, Mergenthalerallee 61, 65760 Eschborn, Germany.

Section 4(3) of the Articles of Association excludes the shareholders' right to receive individual share certificates and profit share coupons to the extent permitted by law and unless required in accordance with the regulations applicable at a stock exchange to which the shares are admitted. The Management Board determines, with the consent of the Supervisory Board, the form of the share certificates.

3.5.4 Currency of the securities issue

The New Shares are denominated in euro.

3.5.5 ISIN/WKN/common code/ticker symbol for the New Shares

International Securities Identification Number (ISIN)	DE000A1ML7J1
German Securities Identification Number (*Wertpapierkennnummer,* WKN)	A1ML7J
Common Code	094567408
Ticker Symbol	VNA

3.5.6 ISIN/WKN for the Subscription Rights

International Securities Identification Number (ISIN)	DE000A3MQB30
German Securities Identification Number (*Wertpapierkennnummer,* WKN)	A3MQB3

3.5.7 Existing quotation

As of the date of this Prospectus, 575,257,327 no-par value registered ordinary shares, each representing a notional value of EUR 1.00 of the share capital and with full dividend rights as from January 1, 2021, are admitted to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) and on the regulated market of the Luxembourg Stock Exchange (*Bourse du Luxembourg*).

3.5.8 Transferability of the Shares

The New Shares are freely transferable in accordance with the legal requirements for no-par value registered ordinary shares. Trading of the New Shares is not subject to any prohibitions on disposals or any restrictions with respect to the transferability of the New Shares.

3.6 Underwriting Agreement

Pursuant to the Underwriting Agreement dated November 21, 2021, the Joint Bookrunners have agreed, under certain conditions, to subscribe the New Shares and offer the New Shares to the Company's existing shareholders during the subscription period for indirect subscription at the Subscription Ratio and at the Subscription Price per New Share. The following table presents the legal names and registered addresses of the Joint Bookrunners:

	Address	Number of New Shares	Percentage of New Shares
BofA Securities	51 rue La Boétie, 75008 Paris France	40,268,015	20%
Morgan Stanley	Große Gallusstraße 18 60312 Frankfurt am Main Germany	40,268,016	20%
Société Générale	29 boulevard Haussmann 75009 Paris France	40,268,015	20%
BNP Paribas	16, boulevard des Italiens 75009 Paris France	7,321,456	3.6363%
Citigroup	Reuterweg 16, 60323 Frankfurt am Main Germany	7,321,456	3.6363%
Commerzbank	Kaiserstraße 16 (Kaiserplatz) 60311 Frankfurt am Main Germany	7,321,456	3.6363%
Deutsche Bank	Taunusanlage 12 60325 Frankfurt am Main Germany	7,321,456	3.6363%
GS	Marienturm, Taunusanlage 9-10 60329 Frankfurt am Main Germany	7,321,456	3.6363%
ING	Bijlmerdreef 106 1102 CT Amsterdam the Netherlands	7,321,456	3.6363%
IMI-Intesa Sanpaolo	Piazza S. Carlo 156 10121 Turin Italy	7,321,456	3.6363%
J.P.Morgan	Taunustor 1 (TaunusTurm) 60310 Frankfurt am Main Germany	7,321,456	3.6363%
LBBW	Am Hauptbahnhof 2 70173 Stuttgart Germany	7,321,456	3.6363%
UBS	5 Broadgate London EC2M 2QS United Kingdom	7,321,456	3.6363%
UniCredit	Arabellastrasse 12 81925 Munich Germany	7,321,456	3.6363%
Total		**201,340,062**	**100.00**

The Underwriting Agreement also provides that the obligations of the Joint Bookrunners are subject to the satisfaction of certain conditions, including, for example, the receipt of a customary confirmations and legal opinions satisfactory to the requirements of the Joint Bookrunners. The Company has further agreed in the Underwriting Agreement to indemnify the Joint Bookrunners against certain liabilities, including liabilities under applicable securities laws that may arise in connection with the Offering.

The Joint Bookrunners are entitled to terminate the Underwriting Agreement or decide together with the Company to extend the Subscription Period or to postpone the implementation of the Subscription

Offer under certain conditions. These conditions include, in particular, (i) material restrictions on stock exchange trading or banking activities, the outbreak or escalation of hostilities or war, or the occurrence of acts of terrorism or other calamity or crisis if such conditions make it impracticable or inadvisable to market the New Shares or to enforce contracts for the sale of the New Shares and/or likely to prejudice materially the success of the capital increase, the distribution of the New Shares or dealings in the New Shares in the secondary market and (ii) material adverse changes in the business or financial condition, prospects, shareholders' equity or results of operations of the Company and/or the Group and a rating downgrade. The Joint Bookrunners are also relieved from their obligations under the Underwriting Agreement if the implementation of the capital increase has not been registered by December 3, 2021, 11:59 p.m. CET, with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Bochum and if the Company and the Joint Bookrunners fail to agree on a later deadline.

Any New Shares not subscribed in the Subscription Offer will be offered for sale by the Joint Bookrunners in the Rump Placement at a price at least equivalent to the Subscription Price in the Rump Placement.

3.7 Lock-up Agreement

In the Underwriting Agreement, the Company has undertaken that, without the prior written consent of the Joint Global Coordinators, during the period commencing on the date of the Underwriting Agreement and ending 90 days after the settlement of the New Shares and without the prior written consent of the Joint Global Coordinators, the Company will not agree to:

- offer, sell, pledge, or otherwise undertake to sell, pledge or to dispose of (i) bonds convertible or exchangeable into shares of the Company or (ii) shares of the Company or (iii) other securities which are convertible into or exchangeable for or grant the right to subscribe or receive shares of the Company; or

- will not enter into any swap or other agreement that transfers to another party, in whole or in part, any of the economic consequences of ownership of shares of the Company, whether any such transaction described in this sentence is to be settled by delivery of securities, in cash or otherwise; or

- announce or effect an increase of the Company's share capital out of authorized capital; or

- propose to its annual general meeting an increase of the Company's share capital, other than (i) a proposal to the Company's annual general meeting on authorizations for the issuance of new shares pursuant to an authorized capital (*genehmigtes Kapital*), and (ii) a proposal to the Company's annual general meeting on authorizations to issue convertible bonds and/or bonds with warrants, as well as participation rights with conversion or option rights (or a combination of these instruments) and the creation of conditional capital (*bedingtes Kapital*); or

- enter into a transaction or perform any action economically similar to those described above.

The foregoing undertaking does not apply to (i) the issuance of the New Shares, (ii) the issuance of any class of shares upon the exercise of stock options that were already issued under an existing stock option plan, (iii) any swaps or other agreements for purposes of hedging the long term incentive phantom stock option plan of the Company and its subsidiaries, and (iv) any corporate action for purposes of entering into joint ventures, other forms of co-operations or acquisitions, provided that the respective other party assumes towards the Joint Bookrunners to comply with customary restrictions on the disposal of shares for the then remaining period of the 90-day period after the Closing Date. Further, this restriction does not apply to the announcement of the intention to offer a scrip dividend for the financial year 2021.

3.8 Material Interests, Including Conflicts of Interest

In connection with the Offering and admission of the New Shares to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment thereof with additional post-admission obligations (Prime Standard) and the regulated market of the Luxembourg Stock Exchange (*Bourse de Luxembourg*), the Joint Bookrunners have a contractual relationship with the Company. The Joint Bookrunners are assisting the Company with the transaction and its structuring and execution. In addition, UniCredit Bank AG is appointed to act as subscription agent (*Hauptbezugsstelle*), Deutsche Bank AG is appointed to act as paying agent and Morgan Stanley is appointed to act as listing agent. Furthermore, the Joint Bookrunners offer the New Shares to the public, and the Underwriting Agreement provides for a firm underwriting of the New Shares not sold in the Offering by the Joint Bookrunners. Upon execution of the transaction, the Joint Bookrunners will receive fees. As a result, the Joint Bookrunners have a financial interest in the successful completion of the Offering.

Each of the Joint Bookrunners and their respective affiliates may have engaged in transactions with, and provided various commercial banking, investment banking, financial advisory transactions and services in the ordinary course of their business with the Company and/or its affiliates for which they would have received customary fees and commissions.

In connection with financing the Deutsche Wohnen Transaction, the Joint Bookrunners (or certain of their respective affiliates) entered into the Bridge Facilities Agreement (as defined in "*13.12.2 Financing agreement*") with Vonovia. The Company intends to use the net proceeds from this Offering to repay amounts drawn under the Bridge Facilities Agreement in connection with the transaction, which will reduce amounts outstanding under the Bridge Facilities Agreement for which the Joint Bookrunners (or certain of their respective affiliates) receive interest payments. In addition, certain Joint Bookrunners (or certain of their respective affiliates) also acted as dealers in connection of the placement of bonds issued by Vonovia in August 2021, the proceeds of which were used for refinancing part of the Bridge Facilities Agreement.

Further, certain Joint Bookrunners (or certain of their respective affiliates) also acted as financial advisors of Deutsche Wohnen in connection with the Deutsche Wohnen Transaction.

Furthermore, in connection with the Offering, each of the Joint Bookrunners and any of their respective affiliates may take up a portion of the New Shares in the Offering as a principal position and in that capacity may retain, purchase, or sell for their own account such New Shares or related investments and may offer or sell such New Shares or other investments otherwise than in connection with the Offering. Accordingly, references in this document to the New Shares being offered, subscribed, acquired, placed or otherwise dealt in should be read as including any offer, subscription, acquisition, placing or dealing by each of the Joint Bookrunners and any of their affiliates acting in such capacity. In addition, certain of the Joint Bookrunners or their affiliates may enter into financing arrangements (including swaps, warrants, contracts for difference and margin loans) with investors in connection with which such Joint Bookrunners (or their affiliates) may from time to time acquire, hold or dispose of Shares of the Company. Except as required by applicable law or regulation, the Joint Bookrunners do not propose to make any public disclosure in relation to such transactions.

In addition, the Joint Bookrunners or companies affiliated with the Joint Bookrunners have engaged in securities trading and brokerage activities, as well as providing investment banking, asset management, financing and financial advisory services and other commercial and investment banking products and services to a wide range of corporations and individuals. They may from time to time enter into business relationships with companies of the Group or perform services on their behalf as part of their normal course of business including such relating to lending and asset-backed securities transactions. In the ordinary course of the Joint Bookrunners' trading, brokerage, asset management, and financing activities, the Joint Bookrunners may at any time deal as principal or agent for more than one party in, or hold long or short positions, and may trade or otherwise effect transactions, for its own account or the accounts of customers, in debt or equity securities or senior loans of the Company, its affiliates or other entities that may be involved in or connected with the transactions contemplated hereby, including in connection with the Offering. Accordingly, the Joint Bookrunners and companies affiliated with the Joint Bookrunners may in the future face conflicts of interests with shareholders in the Company.

Because of these business relationships between the Joint Bookrunners, or any of their respective affiliates, and the Company, the interests of the Joint Bookrunners may not be aligned with those of the Company or the Company's other shareholders, which constitutes a potential conflict of interest.

Other than the interests described above, there are no material interests, in particular no material conflicts of interests, with respect to the Offering.

3.9 Selling Restriction Notices

The distribution of this Prospectus and the sale of the New Shares and subscription rights for the New Shares may be restricted by law in certain jurisdictions. The New Shares and subscription rights for the New Shares will be offered to the existing shareholders of the Company and holders of subscription rights by way of public offering solely in Germany and Luxembourg. The acceptance of the Subscription Offer outside Germany and Luxembourg may be subject to restrictions. The New Shares and subscription rights for the New Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisement in connection with the New Shares and subscription rights for the New Shares may be distributed or published in or from any country or jurisdiction other than Germany or Luxembourg, except in compliance with any applicable rules and regulations of such country or jurisdiction. Persons who intend to accept the Subscription Offer outside Germany or Luxembourg are requested to inform themselves of or seek professional advice for and comply with the restrictions that exist outside Germany and Luxembourg. It is the responsibility of any person who receives a copy of this Prospectus to inform themselves about and observe any laws and restrictions, including, but not limited to, those set out below. Failure to comply with these restrictions may constitute a violation of securities laws.

No action has been or will be taken by the Company or the Joint Bookrunners to permit a public offering of any New Shares and subscription rights for the New Shares or the possession or distribution of this Prospectus in any country or jurisdiction other than Germany or Luxembourg where action for such purposes may be required.

The New Shares and the subscription rights for the New Shares have not been, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States. They may not be offered, sold, otherwise transferred or delivered, directly or indirectly, within or into the United States its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any state of the United States or the District of Columbia (together, the ***United States***), except pursuant to an exemption from the registration and reporting requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction in the United States and all other applicable provisions of U.S. law. Any offer or sale of New Shares in the United States will be made by the Joint Bookrunners, their affiliates or agents, who are registered United States broker-dealers, pursuant to applicable United States securities laws. Accordingly, the New Shares and subscription rights for the New Shares are being offered and sold only (a) in the United States pursuant to an exemption from registration under the Securities Act, to persons reasonably believed to be qualified institutional buyers pursuant to Rule 144A and (b) outside the United States in an offshore transaction in reliance on Regulation S. Thus, pursuant to the Underwriting Agreement, each of the Joint Bookrunners, severally and not jointly, has covenanted to and agreed with the Company that neither it nor any of its affiliates (as defined in Rule 405 under the Securities Act), nor any third party acting on its or their behalf, with regard to the subscription rights or the New Shares:

(i) directly or through any agent, has or have offered, solicited offers to buy or sold, or will offer, solicit offers to buy or sell these (y) by any form of "general solicitation" or "general advertising" in the United States, each within the meaning of Regulation D under the Securities Act, or in any manner involving a public offering within the meaning of Section 4(a)(2) of the Securities Act, or (z) to any persons in the United States, except to such persons whom they reasonably believe to be "qualified institutional buyers" (within the meaning of Rule 144A) for its own account or for the account of another qualified institutional buyer in transactions meeting the requirements of Rule 144A; or

(ii) has or have engaged or will engage in any "directed selling efforts" in the United States within the meaning of Regulation S under the Securities Act.

The Company does not intend to register the Offering or any portion thereof in the United States or to conduct a public offering of the New Shares or subscription rights for the New Shares in the United States.

Until 40 days after commencement of the Offering, the offer, sale, purchase or transfer of the subscription rights or New Shares within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The subscription rights and the New Shares have not been approved or rejected by any federal or state securities commission or regulatory authority of the United States. Furthermore, none of these authorities have confirmed or approved the terms of the Offering, the subscription rights, the New Shares or the accuracy or completeness of this Prospectus.

The subscription rights will not be distributed by the Company to any shareholder of the Company that is located or resident in Canada, except in limited circumstances after such shareholder has established its eligibility to receive the subscription rights to the Company's satisfaction. The New Shares may be sold in certain provinces of Canada pursuant to an exemption from the prospectus requirements of Canadian securities laws.

The subscription rights and New Shares have not been publicly offered and will not be publicly offered to existing shareholders of the Company or holders of subscription rights to the New Shares in any member state of the EEA or the United Kingdom (each, a ***Relevant State***) bound by the Prospectus Regulation (other than the offer in Germany and Luxembourg) from the date of application of the Prospectus Regulation unless:

(i) a prospectus for the New Shares has been approved by BaFin and published and notified in accordance with the Prospectus Regulation;

(ii) the Offering is addressed solely to "qualified investors" (within the meaning of the Prospectus Regulation);

(iii) the Offering is made to fewer than 150 natural or legal persons (other than a "qualified investor" within the meaning of (ii) above) in the respective Relevant State;

(iv) for the existence of any other circumstances falling within Article 1(3) or Article 1(4) of the Prospectus Regulation; or

(v) for the existence of any other circumstance falling within Article 3(2) of the Prospectus Regulation, as a result of which the publication of a prospectus by the Company is not required in the respective Relevant State;

and provided that, in each of (ii) to (v) above, no such offer of New Shares or subscription rights shall result in the requirement by the Company or the Joint Bookrunners to publish a prospectus under the Prospectus Regulation, and whereas, for the purposes of this Offering, any limitation arising as a result of or in connection with the requirement for the publication of a prospectus shall apply mutatis mutandis to the requirement to publish a supplement to prospectus pursuant to Article 23 of the Prospectus Regulation.

3.10 Identification of Target Market and Information to Distributors

Solely for the purposes of the product governance requirements contained within: (a) Directive 2014/65/EU of May 15, 2014 on markets in financial instruments, as amended (***MiFID II***); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the ***MiFID II Product Governance Requirements***), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturers" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the New Shares and the subscription rights for the New Shares have been subject to a product approval process, which has determined that the New Shares and the subscription rights for the New Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the ***Target Market Assessment***). Notwithstanding the Target Market Assessment, any person subsequently offering, selling or recommending the New Shares and/or the subscription rights for the New Shares (a "distributor" for the purpose of the MiFID II Product Governance Requirements) should note that: the price of the subscription rights for the New Shares and of the price of the New Shares may decline and investors could lose all or part of their investment; the New Shares offer no guaranteed income and no capital protection; and an investment in the New Shares and the subscription rights for the New Shares is compatible only with investors who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offering and does not constitute (i) an assessment of suitability or appropriateness for the purposes of MiFID II or (ii) a recommendation to any investor or group of investors to invest in, purchase, or take any other action whatsoever with respect to, the New Shares and the subscription rights for the New Shares.

Each distributor is responsible for undertaking its own target market assessment with respect to the New Shares and the subscription rights for the New Shares and determining appropriate distribution channels.

In addition, other selling restrictions may apply in other jurisdictions in relation to any subsequent offering or sale of the New Shares and the subscription rights for the New Shares. Potential investors or distributors should make their own assessment on the suitability, appropriateness and lawfulness of any such resale or offering and as to their own investment decision and, if appropriate, seek professional advice for the relevant jurisdiction or jurisdictions.

4. PROCEEDS AND COSTS OF THE OFFERING

4.1 Proceeds and Costs of the Offering

The net proceeds to the Company from the Offering result from the gross proceeds less the underwriting commissions and other expenses described below. On the basis of the Subscription Price of EUR 40.00 per New Share and issuance of the 201,340,062 New Shares, the Company is seeking to raise gross proceeds of approximately EUR 8,054 million in this Offering. The overall commissions, including discretionary elements, to be paid by the Company to the Joint Bookrunners are expected to amount to approximately EUR 119.5 million. Other issue costs to be incurred by the Company will approximately amount to EUR 16.4 million. Investors will not be charged with expenses by the Company or the Joint Bookrunners (regarding potential charges by custodian banks, see "*3.3 Subscription Offer*"). On this basis, the Company expects net proceeds from this Offering of EUR 7,918 million.

4.2 Reasons for the Offering and Use of Proceeds

The Company intends to use the net proceeds from the Offering to repay amounts drawn under the Bridge Facilities Agreement (as defined in "*13.12.2 Financing agreement*") in connection with the Deutsche Wohnen Transaction. Prior to the Offering, Vonovia had already taken various financing measures, which included the issuance of bonds with proceeds of EUR 4 billion at an average coupon of 0.6875% in June 2021 and bonds with proceeds of EUR 5 billion at an average coupon of 0.49% in August 2021. These net proceeds were used to purchase shares of Deutsche Wohnen and were used or are planned for repayment of maturing liabilities. The expected net proceeds of EUR 7,918 million from the Offering are intended to be used to reduce the aggregate amount drawn under the Bridge Facilities Agreement from EUR 11.45 billion to EUR 3.53 billion. In addition, Vonovia intends to use the net proceeds from the sale of approximately 15,000 apartments to the State of Berlin (see, "*10.2.3 Stabilization of the housing market in Berlin*") to refinance outstanding debt including in relation to the Bridge Facilities Agreement.

5. DILUTION

The rights of the shareholders to subscribe for the New Shares from the capital increase ensure that each shareholder exercising its subscription rights will continue to hold its nearly unchanged percentage share in the share capital of the Company. The shareholders' percentage ownership in the Company's share capital and its voting rights will be diluted by 25.93% per existing Share assuming such shareholder does not exercise any of its subscription rights.

The net book value of the shareholders' equity of the Company, excluding "non-controlling interests" and "equity attributable to hybrid capital instruments", as of September 30, 2021, as recorded in the Unaudited Condensed Interim Consolidated Financial Statements as line item "total equity attributable to Vonovia shareholders" (the ***Net Book Value***), amounted to EUR 26,493.2 million and therefore EUR 46.05 per Share, calculated on the basis of 575,257,327 issued Shares as of September 30, 2021.

Based on the foregoing, and assuming the implementation of the capital increase from EUR 575,257,327 by EUR 201,340,062.00 to EUR 776,597,389.00 by issuing 201,340,062 New Shares against contribution in cash at the Subscription Price of EUR 40.00 per New Share, and following the deduction of the estimated fees and other Offering-related expenses in the amount of approximately EUR 136.0 million, the Net Book Value of the shareholders' equity of the Company would have been EUR 34,410,845,786 or EUR 44.31 per Share as of September 30, 2021 (calculated on the basis of the number of 776,597,389 Shares issued after the implementation of the capital increase in connection with the Offering).

This corresponds to a decrease in the Net Book Value per Share in the amount of EUR 1.74 or 3.79% for the existing shareholders, as the actual Net Book Value per Share as of September 30, 2021 exceeds the adjusted Net Book Value per Share by this amount or this percentage. For purchasers of New Shares at the Subscription Price of EUR 40.00, this entails an increase of EUR 4.31 or 10.77% per Share against the Net Book Value per Share after the implementation of the capital increase.

6. DIVIDEND POLICY; RESULTS AND DIVIDENDS PER SHARE

6.1 General Provisions Relating to Profit Allocation and Dividend Payments

The shareholders' share of the Company's profits is determined based on their respective interests in the Company's share capital. For a European company (*Societas Europaea*) under German law, the distribution of dividends for a given fiscal year and the amount and payment date thereof are resolved by the shareholders' meeting of the subsequent fiscal year either upon a joint proposal by the Management Board and the Supervisory Board or upon the Management Board's or the Supervisory Board's proposal. The shareholders' meeting must be held within the first six months of each fiscal year.

Dividends may only be distributed from the distributable profit (*Bilanzgewinn*) of the Company. The distributable profit is calculated based on the Company's stand-alone annual financial statements prepared in accordance with the accounting principles of German GAAP essentially reflected in the German Corporate Code (*Handelsgesetzbuch*) and the German Stock Corporation Act (*Aktiengesetz*). Accounting principles set forth in German GAAP differ from IFRS in material respects.

When determining the distributable profit, net income or loss for the fiscal year (*Jahresüberschuss/-fehlbetrag*) is adjusted for profit/loss carry forwards (*Gewinn-/Verlustvorträge*) from the prior fiscal year and withdrawals from, or allocations to, reserves. Certain reserves are required to be set up by law, and amounts mandatorily allocated to these reserves in the given fiscal year must be deducted when calculating the distributable profit. The Management Board must prepare financial statements (balance sheet and income statement) and a management report for the previous fiscal year by the statutory deadline and present these to the Supervisory Board and the auditors for review immediately after preparation. At the same time, the Management Board must present to the Supervisory Board a proposal for the appropriation of the Company's distributable profit pursuant to Article 61 of Council Regulation (EC) 2157/2001 of October 8, 2001 on the Statute for a European company (SE) (***SE Regulation***) together with Section 170 of the German Stock Corporation Act (*Aktiengesetz*). According to Article 61 of the SE Regulation together with Section 171 of the German Stock Corporation Act (*Aktiengesetz*), the Supervisory Board must review the financial statements, the management report, the Management Board's report and the proposal for the use of the distributable profit and report to the shareholders' meeting in writing on the results of its review.

The shareholders' meeting's resolution on the appropriation of the distributable profit requires a simple majority of votes to be passed. The shareholders' meeting may also resolve that the dividends be distributed partially or entirely in kind, for example as a distribution of treasury shares if held by the Company at that time. The Management Board, subject to the consent of the Supervisory Board, may decide to pay an advance on dividends in accordance with Article 5 of the SE Regulation in conjunction with Section 59 of the German Stock Corporation Act (*Aktiengesetz*). Dividends resolved by the shareholders' meeting are due and payable immediately after the relevant shareholders' meeting, unless provided otherwise in the dividend resolution, in compliance with the rules of the respective clearing system. Any dividends not claimed within the past three years become time-barred. Once the dividend payment claim is barred by the statute of limitations, the claim passes to the Company. Since all of the Company's dividend entitlements are evidenced by one global dividend coupon deposited with Clearstream Banking Aktiengesellschaft, Clearstream Banking Aktiengesellschaft transfers the dividends to the shareholders' custodian banks for crediting to their accounts. German custodian banks are under the same obligation to distribute the funds to their customers. Shareholders using a custodian bank located outside Germany must inquire at their respective bank regarding the terms and conditions applicable in their case. Notifications of any distribution of dividends resolved upon are published in the German Federal Gazette (*Bundesanzeiger*) immediately after the shareholders' meeting. To the extent dividends can be distributed by the Company in accordance with German GAAP and corresponding decisions are taken, there are no restrictions on the shareholders' rights to receive dividends. Generally, withholding tax (*Kapitalertragsteuer*) is withheld from dividends paid. For more information on the taxation of dividends, see "*20.1 Taxation of Dividends*").

6.2 Dividend Policy and Historical Dividends

Vonovia's dividend policy targets a pay-out ratio of approximately 70% of Group FFO.

As Vonovia consolidates Deutsche Wohnen only from September 30, 2021 onwards, the expected Group FFO for the fiscal year 2021 would, assuming the issuance of the New Shares, understate Vonovia's recurring earnings strength. Maintaining a pay-out ratio of 70% would, therefore, understate Vonovia's dividend capacity. Consequently, Vonovia intends, for the fiscal year 2021 only, to base its dividend payout on Vonovia's stand-alone Group FFO plus an assumed dividend Vonovia would have received from its 87.6% Deutsche Wohnen stake if Deutsche Wohnen would have paid dividends in line with its historic pay-out ratio (*i.e.* 65% of expected FFO I for 2021). Vonovia does not expect that Deutsche Wohnen pays a dividend for 2021.

For the annual general meeting in 2022, Vonovia intends to propose to its shareholders to pay out approximately 70% of that combined figure, which would translate into a higher payout ratio for the fiscal year 2021 though such pay-out would be in line with growth rates of previous years.

For the fiscal year 2022 and onwards, Vonovia's full-year financials will reflect Deutsche Wohnen for the entire fiscal year and Vonovia intends to resume its dividend policy of approximately 70% payout ratio of reported Group FFO.

The main objective of this dividend policy targeting approximately 70% of its Group FFO is to safeguard sustainable dividend increases without material volatility in the overall dividend growth trajectory. Since the Company does not itself conduct any operative business, its ability to pay dividends depends on its operating subsidiaries making profits, generating cash flows alongside the profit and distributing those to the Company (see "*1.5.6 The Company's surplus revenues and potential future dividend payments are dependent on the profitability of its subsidiaries.*").

For fiscal year 2020, the Company resolved at the annual ordinary shareholders' meeting held on April 16, 2021, in accordance with the proposal of the Management Board and the Supervisory Board, to distribute a dividend of EUR 1.69 per share or an aggregate amount of EUR 956,349,535.31. Shareholders were offered to choose between paying the dividend in cash or in the form of granting new shares. During the subscription period, shareholders with a total of 49.18% of the dividend-bearing shares opted for the share dividend instead of the cash dividend. Accordingly, 9,370,028 new shares were issued from the authorized capital of the Company pursuant to § 5 of the Articles of Association of the Company (***Authorized Capital 2018***) at a subscription price of EUR 50.193 with a total issue amount of EUR 9,370,028.00 against contribution of dividend receivables at a nominal amount of EUR 470,309,815.40. The total number of Shares thus rose to 575,257,327 Shares. The total amount of the dividend distributed in cash thus amounted to EUR 486,039,719.91.

For fiscal year 2019, the Company resolved at the annual ordinary shareholders' meeting held on June 30, 2020, in accordance with the proposal of the Management Board and the Supervisory Board, to distribute a dividend of EUR 1.57 per share or an aggregate amount of EUR 851,369,569.27. Shareholders were offered to choose between paying the dividend in cash or in the form of granting new shares. During the subscription period, shareholders with a total of 40.74% of the dividend-bearing shares opted for the share dividend instead of the cash dividend. Accordingly, 6,613,688 new shares were issued from the Authorized Capital 2018 at a subscription price of EUR 52.438 with a total issue amount of EUR 6,613,688.00 against contribution of dividend receivables at a nominal amount of EUR 346,808,571.34. The total number of Shares thus rose to 548,887,299 Shares. The total amount of the dividend distributed in cash thus amounted to EUR 504,560,997.93.

For fiscal year 2018, the Company resolved at the annual ordinary shareholders' meeting held on May 16, 2019, in accordance with the proposal of the Management Board and the Supervisory Board, to distribute a dividend of EUR 1.44 per share or an aggregate amount of EUR 746,032,224.96. Shareholders were offered to choose between paying the dividend in cash or in the form of granting new shares. During the subscription period, shareholders with a total of 45.8% of the dividend-bearing shares opted for the share dividend instead of the cash dividend. Accordingly, 7,695,677 new shares were issued from the Authorized Capital 2018 at a subscription price of EUR 44.352 with a total issue amount of EUR 7,695,677.00 against contribution of dividend receivables at a nominal amount of EUR 341,318,666.30. The total number of Shares thus rose to 542,273,611 Shares. The total amount of the dividend distributed in cash thus amounted to EUR 404,713,558.66.

The following table shows the Company's profit for the period and earnings per share, both based on the Audited Consolidated Financial Statements of the Company as of and for the fiscal years ended December 31, 2020, 2019 and 2018 as well as on the income statement for the year and the reported distributable profit based on the unconsolidated annual financial statements as of and for the fiscal years ended December 31, 2020, 2019 and 2018 prepared in accordance with the German Commercial Code (*Handelsgesetzbuch*) and the annual dividend paid per share for the fiscal years ended December 31, 2020, 2019 and 2018:

	2020	**2019**	**2018**
	(audited, unless otherwise indicated)		
	(EUR in millions, unless otherwise indicated)		
Profit for the period (IFRS)	3,340.0	1,294.3	2,402.8
Earnings per share (basic and diluted) in EUR(1)	5.87	2.15	4.48
Net profit for the year (German GAAP)	(53.5)	419.1	1,673.3
Reported distributable net profit (German GAAP)	1,000.00	912.7	909.6
Dividend paid per share in EUR	1.69(*)	1.57(*)	1.44(*)
Dividend payment for the respective year	956.3(*)	851.4(*)	746.0(*)
thereof share dividend	470.3(*)	346.8(*)	341.3(*)
thereof cash dividend	486.0(*)	504.5(*)	404.7(*)

(*) Unaudited. Taken or derived from the Company's accounting records or internal reporting systems, respectively.

(1) Calculated by dividing the profit for the period attributable to the shareholders by the weighted average number of ordinary shares in circulation during the reporting period.

7. CAPITALIZATION AND INDEBTEDNESS; STATEMENT ON WORKING CAPITAL

Investors should read this section in conjunction with "*8 Management's Discussion and Analysis of Net Assets, Financial Condition and Results of Operations*" *and the Unaudited Condensed Interim Consolidated Financial Statements, including the notes thereto, which are included in the financial section of this Prospectus.*

7.1 Capitalization

The following table sets forth, on an unaudited basis and under IFRS, Vonovia's consolidated capitalization as of September 30, 2021, taken or derived from the Unaudited Condensed Interim Consolidated Financial Statements, (i) on an actual basis as of September 30, 2021, (ii) as adjusted for the accounting effects of the closing of the Deutsche Wohnen Transaction, (iii) as adjusted for the Offering and (iv) as adjusted as of September 30, 2021.

		Adjustments for		
	Actual as of September 30, 2021(*)	**the accounting effects of the closing of the Deutsche Wohnen Transaction(**)**	**the Offering(***)**	**As adjusted as of September 30, 2021**
	(unaudited)			
	(EUR in millions)(****)			
Total current debt (including current portion of non-current debt)(1)	22,030.9	(1,399.5)	(7,917.6)	12,713.8
Guaranteed(2)	3.6	–	–	3.6
Secured(3)	1,805.3	–	–	1,805.3
Unguaranteed / unsecured(4)	20,222.0(5)	(1,399.5)	(7,917.6)	10,904.9
Total non-current debt (excluding current portion of non-current debt)(6)	57,899.6	(1,183.0)	–	56,716.6
Guaranteed(2)	–	–	–	–
Secured(3)	11,525.0	–	–	11,525.0
Unguaranteed / unsecured(7)	46,374.6	(1,183.0)	–	45,191.6
Shareholder equity	28,726.4	1,906.5	(7,917.6)	38,550.5
Share capital(8)	575.3	–	201.3	776.6
Legal reserve(s)(9)	9,496.3	–	7,716.3	17,212.6
Other reserves(10)	18,654.8	1,906.5	–	20,561.3
Total(11)	**108,656.9**	**(676.0)**	**–**	**107,980.9**

(*) Taken from the Unaudited Condensed Interim Consolidated Financial Statements for the nine-month period ended September 30, 2021.

(**) To finance payment obligations from the Deutsche Wohnen Transaction after September 30, 2021, Vonovia drew funds under the Bridge Facilities Agreement in the amount of EUR 10,631.9 million. As Vonovia accounted the Deutsche Wohnen Transaction using the anticipated acquisition method in accordance with IFRS 3, a contingent consideration liability in the amount of EUR 12,021.9 million reflecting Deutsche Wohnen's entire share capital is presented in the Unaudited Condensed Interim Consolidated Financial Statements. This contingent consideration liability was reduced by EUR 12,021.9 million whereas non-controlling interest increased in the amount of EUR 1,906.5 million and goodwill decreased by EUR 676.0 million. These effects reflect the fact that 87.6% of Deutsche Wohnen's share capital was acquired instead of 100% as assumed by applying the anticipated acquisition method. Furthermore, liabilities in connection with convertible bonds were reduced by EUR 1,192.5 million (thereof EUR 1,183.0 million non-current debt and EUR 9.5 million current debt). As a result, the net current debt (as defined in footnote 1) decreased by EUR 1,399.5 million and the net non-current debt (as defined in footnote 5) decreased by EUR 1,183.0 million.

(***) The adjustments for the Offering are calculated as the product of the 201,340,062 New Shares and their Subscription Price of EUR 40.00 (*i.e.* gross proceeds in the amount of EUR 8,054 million) minus the costs of the Offering in the amount of EUR 136.0 million, *i.e.* the net proceeds of EUR 7,918 million of the Offering.

(****) Columns may not add up due to rounding.

(1) Total current debt is referred as "Total current liabilities" in the Unaudited Condensed Interim Consolidated Financial Statements.

(2) Includes guarantees by third-party guarantors for the benefit of the Group.

(3) "Secured" mainly comprises collateral in the form of mortgages, pledges of bank accounts and pledges of shares in associated companies.

(4) Vonovia SE is the guarantor for bonds issued by Vonovia Finance B.V. in the amount of EUR 1,998.6 million, which are included in this line item.

(5) Figure includes a contingent consideration liability in the amount of EUR 12,021.9 million, as explained in footnote (**) above.

(6) Total non-current debt is referred as "Total non-current liabilities" in the Unaudited Condensed Interim Consolidated Financial Statements.

(7) Vonovia SE is the guarantor for bonds issued by Vonovia Finance B.V. in the amount of EUR 13,897.6 million, which are included in this line item.

(8) Share Capital is referred as "Subscribed capital" in the Unaudited Condensed Interim Consolidated Financial Statements.

(9) Legal reserve(s) is referred to as "Capital reserves" in the Unaudited Condensed Interim Consolidated Financial Statements and, adjusted for the Offering, reflects the net proceeds from the Offering minus the amount of Vonovia's share capital increase.

(10) "Other reserves" comprises "Retained earnings", "Other reserves", "Equity attributable to hybrid capital instruments" and "Non-controlling interests" of the Unaudited Condensed Interim Consolidated Financial Statements.

(11) Reflects the sum of "Total current debt", "Total non-current debt" and "Shareholder equity".

7.2 Indebtedness

The following table sets forth, on an unaudited basis and under IFRS, Vonovia's consolidated indebtedness as of September 30, 2021, taken or derived from the Unaudited Condensed Interim Consolidated Financial Statements, (i) on an actual basis as of September 30, 2021, (ii) as adjusted for the effects on indebtedness of the closing of the Deutsche Wohnen Transaction, (iii) as adjusted for the Offering and (iv) as adjusted as of September 30, 2021.

			Adjustments for		
		As of September 30, 2021(*)	**the effects on indebtedness of the closing of the Deutsche Wohnen Transaction**(**)	**the Offering**(***)	**As adjusted as of September 30, 2021**
		(unaudited)			
		(EUR in millions)(****)			
A.	**Cash**(1)	1,274.8	–	–	1,274.8
B.	**Cash equivalents**(2)	898.5	–	–	898.5
C.	**Other current financial assets**(3)	2,824.7	–	–	2,824.7
D.	**Liquidity** (A)+(B)+(C)	4,998.0	–	–	4,998.0
E.	**Current financial debt** (including debt instruments, but excluding current portion of non-current financial debt)(4)	8,208.0	10,622.4	(7,917.6)	10,912.8
F.	**Current portion of non-current financial debt**(5)	328.5	–	–	328.5

G.	**Current financial indebtedness** (E + F).............	8,536.5	10,622.4	(7,917.6)	11,241.3
H.	**Net current financial indebtedness** (G - D).............	3,538.5	10,622.4	(7,917.6)	6,243.3
I.	**Non-current financial debt** (excluding current portion and debt instruments).....................	–	–	–	–
J.	**Debt instruments**(6)................	38,769.4	(1,183.0)	–	37,586.4
K.	**Non-current trade and other payables**(7)..............................	273.7	–	–	273.7
L.	**Non-current financial indebtedness** (I)+(J)+(K)........	39,043.1	(1,183.0)	–	37,860.1
M.	**Total financial indebtedness** (H)+(L)...................................	**42,581.6**	**9,439.4**	**(7,917.6)**	**44,103.4**

(*) Taken from the Unaudited Condensed Interim Consolidated Financial Statements.

(**) To finance payment obligations from the Deutsche Wohnen Transaction after September 30, 2021, Vonovia drew funds under the Bridge Facilities Agreement in the amount of EUR 10,631.9 million. Furthermore, liabilities in connection with convertible bonds were reduced by EUR 1,192.5 million (thereof EUR 1,183.0 million non-current debt and EUR 9.5 million current debt) as a result the net current financial indebtedness increased by EUR 9,439.4 million.

(***) The adjustment for the Offering is calculated as the product of the 201,340,062 New Shares and their Subscription Price of EUR 40.00 (*i.e.* gross proceeds in the amount of EUR 8,054 million) minus the costs of the Offering in the amount of EUR 136.0 million, *i.e.* the net proceeds of EUR 7,918 million of the Offering.

(****) Columns may not add up due to rounding.

(1) "Cash" is not separately reported in the consolidated balance sheet included in the Unaudited Condensed Interim Consolidated Financial Statements and reported under "cash and cash equivalents" in the consolidated balance sheet included in the Unaudited Condensed Interim Consolidated Financial Statements. This line item, "cash" includes cash on hand, checks and deposits at banking institutions.

(2) "Cash equivalents" is not separately reported in the consolidated balance sheet included in the Unaudited Condensed Interim Consolidated Financial Statements and reported under "cash and cash equivalents" in the consolidated balance sheet included in the Unaudited Condensed Interim Consolidated Financial Statements. This line item "cash equivalents" includes marketable securities with an original term of up to three months.

(3) Comprises the line items referred to as "financial assets" under the line item "total current assets" and "financial assets" under the line item "total non-current assets" in the consolidated balance sheet in the Unaudited Condensed Interim Consolidated Financial Statements.

(4) Referred to as "derivatives", "non-derivative financial liabilities" and "lease liabilities" in the "Total current liabilities" section of the consolidated balance sheet included in the Unaudited Condensed Interim Consolidated Financial Statements.

(5) Comprises figures referred to as "liabilities to non-controlling interests" and "financial liabilities from tenant financing" in the "Total current liabilities" section of the consolidated balance sheet included in the Unaudited Condensed Interim Consolidated Financial Statements as well as current financial liabilities associated with assets classified as held for sale in the amount of EUR 199.3 million.

(6) Referred to as "derivatives", "non-derivative financial liabilities" (which line items includes bonds and banks loans) and "lease liabilities" in the "Total non-current liabilities" section of the consolidated balance sheet included in the Unaudited Condensed Interim Consolidated Financial Statements.

(7) Referred to as "liabilities to non-controlling interests" and "financial liabilities from tenant financing" in the "Total non-current liabilities" section of the consolidated balance sheet included in the Unaudited Condensed Interim Consolidated Financial Statements.

As of September 30, 2021, current financial debt (as disclosed in item E. in the table above) included current liabilities related to short-term leases in the amount of EUR 42.5 million and debt instruments (as disclosed in item J. in the table above) included non-current liabilities related to long-term leases in the amount of EUR 592.2 million.

7.3 Contingent and Indirect Liabilities

As of September 30, 2021, Vonovia's indirect and contingent indebtedness amounted to EUR 150.2 million and comprised (i) EUR 148.6 million of contingent liabilities from guarantees in connection with development projects and (ii) EUR 1.6 million of contingent liabilities from rent surety bonds. For additional information, see "*8.7.7 Contingent liabilities*".

7.4 Statement on Working Capital

The Company is of the opinion that the Group's working capital is sufficient to meet its present requirements over at least the next twelve months, regardless of the completion of the Offering.

7.5 No significant Change

Between September 30, 2021 and the date of this Prospectus, there were no significant changes in the Group's financial and trading position other than the adjustments (i) for the effects of the closing of the Deutsche Wohnen Transaction and (ii) the Offering, as further described in "*7.1 Capitalization*" and "*7.2 Indebtedness*" above.

For information on current trading and management's view on full-year trends, see "*24 Recent developments and outlook*".

8. MANAGEMENT'S DISCUSSION AND ANALYSIS OF NET ASSETS, FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion together with the Company's Audited Consolidated Financial Statements and Unaudited Condensed Interim Consolidated Financial Statements, including the related notes, that you will find beginning on page F-1. For a description of the Company's Audited Consolidated Financial Statements and the Company's Unaudited Condensed Interim Consolidated Financial Statements, see "*2.10 Presentation of Financial Information*".

The financial data contained in the following tables is extracted or derived from the Audited Consolidated Financial Statements as of and for the fiscal years ended December 31, 2020, December 31, 2019 and December 31, 2018, the Unaudited Condensed Interim Consolidated Financial Statements as of and for the nine-month period ended September 30, 2021, including comparative figures as of and for the nine-month period ended September 30, 2020, or from the Company's internal reporting system.

Where financial data in tables in this Prospectus is labelled "*audited*"*, this means that it has been taken from the Audited Consolidated Financial Statements (as defined below). The label* "*unaudited*" *is used in tables in this Prospectus to indicate financial data that has not been taken from the Audited Consolidated Financial Statements (as defined below) but was taken from the Unaudited Condensed Interim Consolidated Financial Statements (as defined below) or from the Company's internal reporting system, or has been calculated based on financial data from the above-mentioned sources. All of the financial data presented in this Prospectus are shown in millions of euro (EUR million), except as otherwise stated. Certain financial data (including percentages) in this Prospectus have been rounded according to established commercial standards, whereby aggregate amounts (sum totals, sub-totals, differences or amounts put in relation) are calculated based on the underlying unrounded amounts. As a result, the aggregate amounts in tables in this Prospectus may not correspond in all cases to the corresponding rounded amounts contained in tables in this Prospectus. Furthermore, in those tables, these rounded figures may not add up exactly to the totals contained in those tables as a result of rounding differences. Financial information presented in parentheses denotes the negative of such number presented. With respect to financial data set out in this Prospectus, a dash (*"*–*"*) signifies that the relevant figure is not applicable, while a zero (*"*0*"*) signifies that the relevant figure is available but is or has been rounded to zero.*

The Company's historical results are not necessarily indicative of the results that should be expected in the future. The Group's interim results are not necessarily indicative of the results that should be expected for the fiscal year ending December 31, 2021 or any other future period. The following discussion contains forward-looking statements that reflect the Company's plans, estimates and beliefs, including those concerning capital expenditures and financial condition. The Company's actual results may differ materially from those discussed, expressed or implied in these forward-looking statements. The Company does not undertake any obligation to revise or publicly release the results of any revision to these forward-looking statements. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this prospectus, including under "*1 Risk Factors*" *and* "*2.6 Forward-Looking Statements*".

Prior to the first day of consolidation on September 30, 2021, Deutsche Wohnen did not form part of the Group. As a result, the Audited Consolidated Financial Statements do not reflect any business activities of Deutsche Wohnen. The Unaudited Condensed Interim Consolidated Financial Statements reflect Deutsche Wohnen as of the date of first consolidation only and, accordingly, only impacted balance sheet information as of such date, but not in relation to the consolidated income statement and the consolidated statement of cash flows. Therefore, the figures presented for September 30, 2021 are not be comparable to the figures presented for September 30¸ 2020.

8.1 Overview

As of September 30, 2021, the Vonovia Portfolio comprised a housing stock of around 353,700 residential units in almost all of Germany's major cities and growth regions as well as around 38,500 units in Sweden and around 21,600 residential units in Austria. As of September 30, 2021, the Deutsche Wohnen Portfolio comprised approximately 157,600 residential and commercial units as well as nursing properties with around 9,270 beds and 1,030 places for assisted living.

As of September 30, 2021, the total Fair Value of the Vonovia Portfolio and the Deutsche Wohnen Portfolio amounted to EUR 95.4 billion, with EPRA NTA amounting to EUR 40,417.9 million. In addition to its own apartments, Vonovia managed 71,427 apartments for third parties as of September 30, 2021. This makes Vonovia, according to its own assessment, one of the leading residential real estate companies in Germany, Austria and Sweden, albeit with a very low market share of around 1.5% in Germany due to the highly fragmented nature of the market. Effective September 18, 2020, Vonovia was included in the European blue chip stock index EURO STOXX 50, being currently the only real estate company and the first residential real estate company ever to be part of this index.

Vonovia's business model is based on the rental of good-quality, modern and, most importantly, affordable apartments, the development and construction of new apartments, both for its own portfolio and for sale to third parties, the regular and sustainable disposals of individual condominiums and single-family houses, and the provision of comprehensive services relating to the living space and residential environment. These housing-related services include, on the one hand, the services provided by Vonovia's own residential environment organization and craftsmen's organization, such as repair and maintenance work. On the other hand, they include ancillary services provided, such as cable TV, energy services, automated meter reading and the senior-friendly modernization of apartments, as well as a considerable proportion of the work carried out as part of the energy-efficient modernization of individual buildings and entire neighborhoods. Deutsche Wohnen focuses on the management and development of its property portfolio, concentrating on metropolitan areas (particularly Berlin), its project development business to create new residential space in strategic core and growth regions as well assisted living activities related to its nursing properties.

The management of Vonovia's operating business is based on the strategic approaches of the Group and is conducted via four segments: Rental, Value-add, Recurring Sales and Development.

- The Rental segment combines all of the business activities that are aimed at the value-enhancing management of Vonovia's own residential real estate. It includes Vonovia's property management activities in Germany, Austria and Sweden.
- The Value-add segment bundles all of the housing-related services that complement Vonovia's core rental business. These services include both the maintenance and modernization work on Vonovia's residential properties and services that are closely related to the rental business. In addition, Vonovia allocates the activities relating to the craftsmen's organization and residential environment organization, the condominium administration business, the cable TV business, metering services, energy supplies and Vonovia's insurance services to the Value-add segment.
- The Recurring Sales segment includes the regular and sustainable disposals of individual condominiums and single-family houses from Vonovia's portfolio (it does not include the sale of entire buildings or land).
- Finally, the Development segment includes project development to build new homes. This covers the entire value chain starting with the purchase of land without any development plan/dedicated purpose and ending with the completion of new buildings and new construction measures on

Vonovia's own properties. These properties are either incorporated into Vonovia's own portfolio or sold to third parties.

Following the consolidation of Deutsche Wohnen effective as of September 30, 2021 and reflective of the group structure of Deutsche Wohnen, the management of Vonovia intends to report Deutsche Wohnen as a separate segment in the consolidated financial statements as of December 31, 2021.

8.2 Key Factors Affecting Results of Operations and Comparability

The Company believes that the factors discussed below have significantly affected its results of operations, financial position and cash flow for the past periods for which financial information is presented in the Prospectus, and that these factors will continue to have a material influence on its results of operations, financial position and cash flow in the future. On November 2, 2021, Vonovia closed the Deutsche Wohnen Transaction. For information of the effects of the Deutsche Wohnen Transaction on the business of Vonovia, see "*8.2.1.1 Deutsche Wohnen* " below.

8.2.1 Significant acquisitions

Vonovia's results of operations have been, and are expected to continue to be, affected by strategic acquisition activity. Vonovia has grown significantly over prior years through a strategy of targeted acquisitions of real estate portfolios for inclusion in its rental and development businesses. This strategy is an integral part of Vonovia' business and key to its goal of increasing the Group's value in the long term, with acquisitions providing additional assets from which to generate rent and other sources of income. Accordingly, Vonovia continuously monitors and evaluates portfolios being offered for potential acquisition.

8.2.1.1 Deutsche Wohnen Transaction

Vonovia announced the results of the new voluntary public takeover offer on October 26, 2021 and the Deutsche Wohnen Transaction ultimately closed on November 2, 2021. At the date of this Prospectus, Vonovia holds 87.6% of the voting rights in Deutsche Wohnen.

For an overview of the Deutsche Wohnen Transaction, see "*10.1 Overview of the Deutsche Wohnen Transaction*". The Deutsche Wohnen Transaction has impacted Vonovia's results of operations, financial position and liquidity for the periods under review in the Prospectus in various ways and is expected to continue to impact Vonovia's results of operations, financial position and liquidity in the reporting period for the current fiscal year.

Non-recurring expenses related to the Deutsche Wohnen Transaction

As of September 30, 2021, Vonovia had already incurred, and expects to continue to incur, a number of non-recurring expenses (special items) associated with the transaction and the integration of Deutsche Wohnen into Vonovia. These special charges have included, or will include, among others, financial, legal, accounting, consulting and other advisory fees, integration, reorganization and restructuring costs, severance/employee benefit-related expenses and regulatory expenses. For example, in the nine-month period ended September 30, 2021, Vonovia recognized costs related to the Deutsche Wohnen Transaction in the amount of EUR 183.1 million.

Furthermore, provisional goodwill in the amount of EUR 5,448.6 million and contingent consideration liability in the amount of EUR 12.0 billion were recorded on the balance sheet as of September 30, 2021 as a result of the Deutsche Wohnen Transaction.

Financing of the Deutsche Wohnen Transaction

As of September 30, 2021, Vonovia assumed a contingent financial commitment in an amount of EUR 19.4 billion to acquire Deutsche Wohnen's entire share capital. To finance the purchase price for the Deutsche Wohnen Transaction and other related payments and transaction costs, Vonovia entered into the Bridge Facilities Agreement. As of September 30, 2021, the total commitments under facility A of the Bridge Facilities Agreement amounted to EUR 7.6 billion and the total commitments under facility B amounted to EUR 9.4 billion. The total commitment under facility B was subsequently canceled in the amount of EUR 1.4 billion to amount to EUR 8.0 billion effective as of November 5, 2021. See "*13.12.2 Financing agreement*" for further information about the Bridge Facilities Agreement. Vonovia intends to use net proceeds of EUR 7,918 million from this Offering to repay amounts drawn down under the Bridge Facilities Agreement.

In order to finance the purchase of Deutsche Wohnen as well as upcoming repayments, Vonovia issued five unsecured corporate bonds on June 9, 2021, with total proceeds of EUR 4 billion and an average coupon of 0.6875% as well as another five unsecured corporate bonds on August 26, 2021, with total proceeds of EUR 5 billion and an average coupon of 0.49%.

A further source of financing for the Deutsche Wohnen Transaction results from the "Future and Social Pact for Housing", according to which Vonovia, Deutsche Wohnen and the State of Berlin have agreed to sell a portfolio of approximately 15,000 apartments (approximately 4,000 apartments of the Vonovia Portfolio and approximately 11,000 apartments of the Deutsche Wohnen Portfolio, together the ***Berlin Portfolio***) to the real-estate companies of the State of Berlin, the municipal housing companies Berlinovo Immobilien Gesellschaft mbH, degewo AG and HOWOGE Wohnungsbaugesellschaft mbH, in September 2021 for an aggregate purchase price of EUR 2,175.0 million. In relation to the sale of apartments from the Vonovia Portfolio, the majority of the transactions are share deals and, in relation to the sale of apartments from the Deutsche Wohnen Portfolio, the majority are asset deals. Closing is expected to take place on January 1, 2022 and, in relation to the sale to Berlinovo Immobilien Gesellschaft mbH, on July 1, 2022.

Net Income from investment accounted for at equity

In connection with the Deutsche Wohnen Transaction, Vonovia's holding in Deutsche Wohnen in an amount of 78,766,322 Deutsche Wohnen shares, representing approximately 21.89% of the share capital in Deutsche Wohnen as of July 21, 2021, led to an at equity accounting of Deutsche Wohnen starting July 22, 2021. Consequently, Vonovia's "*Net income from investments accounted for using the equity method*" includes the relative results of Deutsche Wohnen for such period of time. Following the consolidation of Deutsche Wohnen as of September 30, 2021, "*Net income from investments accounted for using the equity method*" will not reflect Deutsche Wohnen anymore.

First-time consolidation of Deutsche Wohnen

The acquisition date on which the Company acquired control of Deutsche Wohnen, and therefore the first day of consolidation, was September 30, 2021. The transaction is an acquisition within the meaning of IFRS 3. As a result, as of September 30, 2021, Vonovia's consolidated balance sheet reflects Deutsche Wohnen, while the consolidated income statement or the consolidated statement of cash flows do not reflect Deutsche Wohnen's results of operation or cash flow.

As part of the purchase price allocation using the anticipated acquisition method, the consideration transferred for the business combination comprises the following:

	As of September 30, 2021
	(unaudited, EUR in billion)
Fair value of shares held as of September 30, 2021	7.5
Net cash purchase price component for shares tendered as of September 30, 2021	2.3
Remaining purchase obligation from put options	9.6
Total consideration	19.4

The allocation of the total purchase price to the acquired assets and liabilities (***PPA***) of Deutsche Wohnen at the first day of consolidation is based on the financial statements of Deutsche Wohnen as of September 30, 2021, and on known necessary adjustments to the fair values of the assets and liabilities. Due to the close temporal reference of the acquisition date on the closing date of September 30, 2021, only a provisional allocation could be made.

Synergies

According to Vonovia's estimates, the joint management of the real estate portfolios of Vonovia and Deutsche Wohnen will enable synergies of approximately EUR 105 million per year, which are expected to be fully realized by the end of 2024 and will require implementation costs of approximately EUR 200 million. Vonovia expects that these synergies will mainly result from the joint operational management of the portfolio and the merging of overhead functions, the intensified implementation of Vonovia's value creation strategy in the Deutsche Wohnen Portfolio as well, and lower costs due to the provision of additional services by Vonovia's own craftsmen's organization, as well as from joint purchasing and further standardization in modernization and maintenance. Vonovia has not yet included potential cost savings from joint financing in its calculations.

For a discussion of risks related to the Deutsche Wohnen Transaction and the Group's ability to realize the targeted synergies and other anticipated benefits, see "*1.3 Risks Related to the Deutsche Wohnen Transaction*". For a detailed description of this acquisition and the Deutsche Wohnen Transaction, see "*10 Deutsche Wohnen Transaction*". See "*11 Pro-Forma Consolidated Financial Information*" for the discussion of the pro forma financial information of the Deutsche Wohnen Transaction.

8.2.1.2 Other acquisitions

In line with its acquisition strategy, Vonovia has additionally closed the following key acquisitions since January 1, 2018 which influence its results of operations and the comparability of the financial information included in the Audited Consolidated Financial Statements as of and for the fiscal years ended December 31, 2020, 2019 and 2018 and the Unaudited Condensed Interim Consolidated Financial Statements of the Company as of and for the nine-month period ended September 30, 2021. For ease of comparability, equivalent results from the acquisition of Deutsche Wohnen have also been included.

	Hembla acquisition	Victoria Park acquisition	BUWOG acquisition	Deutsche Wohnen Transaction
Date of first consolidation	*November 7, 2019*(1)	*June 28, 2018*	*March 26, 2018*	*September 30, 2021*
	(audited, unless otherwise indicated)			
	(EUR in billions, unless otherwise indicated)			
Fair Values of assets and liabilities acquired through the business combination:				
Investment properties	3.2	1.6	4.6	28.4
Cash and cash equivalents	0.1	0.1	0.3	0.8
Real estate inventories	–	–	0.3	–
Financial assets	–	–	–	1.4
Trade receivables	–	–	0.2	–
Fair Value of other assets	0.1	–	0.1	2.7
Total assets	**3.4**	**1.7**	**5.5**	**33.3**
Non-controlling interests	0.1	0.2	0.3	0.5
Provisions	–	–	–	0.4
Non-derivative financial liabilities	1.8	0.9	1.9	12.3
Deferred tax liabilities	0.3	0.1	0.3	5.4
Fair Value of other liabilities	–	0.1	0.5	0.7
Total liabilities	**2.2**	**1.3**	**3.0**	**19.3**
Fair Value net assets	**1.2**	**0.4**	**2.5**	**14.0**
Consideration	1.8	0.6	3.2	19.4
Goodwill	**0.6**	**0.2**	**0.7**	**5.4**
Amount of properties acquired:				
Number of residential units(*)	21,385	14,052	48,320	154,717
Number of commercial units(*)	1,517	539	492	2,866
Total number of units(*)	22,902	14,591	48,812	157,583

(*) Figures unaudited.
(1) Figures taken from the Audited Financial Report as of December 31, 2020, reflecting the final PPA.

8.2.2 Environmental and social megatrends

The Group's business and operations are subject to a number of environmental and societal megatrends. These megatrends appear in changes in the values and demands of the Group's stakeholders, such as its shareholders, employees and customers, and the governments and other regulatory authorities shaping the Group's operating environment. As a result, the Group's strategy and decision making evolves to reflect, accommodate and take advantage of the opportunities presented by these megatrends, both in terms of its overall strategy as well as its strategy for individual projects. This in turn may impact the Group's operating results and change its mix of costs, investments and research and development priorities.

8.2.2.1 Urbanization and integration

According to analysis released by the German Federal Statistical Office, domestic migration from rural areas to the country's metropolitan areas will continue unchanged into the 2020s. This increased urbanization leads to further demand for housing in metropolitan areas and, conversely, less demand in rural areas. The demand for housing in urban areas is also influenced by the effects of migration from global crisis hotspots and the trend toward smaller households. As a result, the Cologne Institute for Economic Research expects to see a shortfall of as much as 283,000 apartments a year in the first half of the 2020s.

In response to the urbanization megatrend, the Group has reduced the amount of portfolio locations it has in Germany in order to focus on high-influx cities and urban locations. For example, as of December 2015, the Group had 767 portfolio locations in Germany and then reduced this to 665 as of December 2016, 576 as of December 2017, 526 as of December 2018, 493 as of December 2019 and 471 as of December 2020. As of September 30, 2021, the Group has around 493 portfolio locations in Germany (also including the Deutsche Wohnen Portfolio). The decrease from December 2015 to current levels led to the disposal of approximately 62,000 apartments to execute the strategy.

The megatrend of increased urbanization has in turn led to the Group being faced with challenges relating to integration of communities with diverse cultural background in its developments and portfolio locations. Furthermore, the demographic change toward an aging society is leading to further integration challenges. The Group has evolved, and continues to evolve, its strategy to cater for this megatrend, for example by senior-friendly modernizations of properties and investment in new and innovative housing concepts. For example, in the last five years (from 2016 to 2020), a total of around 68,500 flats were modernized to allow senior-friendly living. The investment volume spent on this amounted to EUR 1,164 million.

8.2.2.2 Climate protection

The climate protection megatrend has resulted in changes in consumer preferences and to the regulatory environment as, for example, almost one-third of CO_2 emissions in Germany can currently be attributed to residential property. As a result, in the past years, the Group has modernized approximately 3% of its portfolio per year to improve the energy efficiency of the buildings. This compares to an average of approximately 1% per year for the German market, showing that the Group is over-performing relative to its peers in responding to this megatrend. In 2017, the Group has set an annual refurbishment target of approximately 3% of its German portfolio. In the fiscal year 2020, this target was achieved: the Group modernized 10,508 of its rented units in Germany, which amounts to a refurbishment rate of 2.9% of all rented units in Germany. The decline compared to the previous year (2019: 3.7% refurbishment rate for rented units in Germany) is partly due to work that was postponed in Berlin due to the rent freeze, which was recently overturned. As a result of this megatrend, Vonovia has also committed to a binding climate path for a virtually climate-neutral building stock by 2050, which is oriented towards the CO_2 intensity of the buildings, and introduced its SPI, which makes its sustainability objectives measurable from year to year. More generally, the megatrend toward increased climate protection may result in the Group needing to make, or pass on to its customers, further expenditures and investments to counter-act the CO_2 footprint of the real estate industry. In addition, the Group’s "1,000 roofs" program for decentralized power generation, which was launched in the 2019 fiscal year, was continued in 2020. Vonovia had around 400 photovoltaic plants in Germany by the end of 2020. In the 2020 fiscal year, the Fraunhofer Institute launched a center dedicated to research into the decentralized use of energy in collaboration with Open District Hub e. V., which Vonovia hopes will yield information on how to make supplying energy to its real estate portfolio as close to climate-neutral as possible in the medium term. In Germany, the Group uses public funding programs to keep modernization work affordable for the tenants. The revised terms of the federal funding program for efficient building, which entered into force on May 20, 2021, include some options in this respect, such as direct subsidies for modernization work. The use of renewable energy in new and refurbished property will be subsidized to a greater extent by the newly implemented regime, effective as of July 1, 2021.

8.2.2.3 Digitalization

As a result of the digitalization megatrend, Vonovia is making systematic investments in testing and expanding new technologies, such as the "customer app", "digital twin for buildings" and "predictive maintenance" technologies. The Company expects the systematic rollout of these technologies in several areas of the Group to create additional opportunities, which should in turn flow through to the Company's results of operation, with benefits both to the Company's top line as well as the Company's expenditures. "Predictive maintenance", for example, could allow damage to elevators or heating units to be prevented before it arises. Smart home systems could allow tenants to consciously manage their energy costs. Digital communication platforms can also help to improve dialogue with tenants. As a result of this megatrend, the Group expects there to be acquisition opportunities at all stages in the value chain to enable the further implementation of digital solutions within Vonovia's processes, which could in turn open up further earnings potential in this area and affect its results of operations. The digitalization of public administration could also promote the much-called-for streamlining of administrative and approval processes in particular, with a positive impact, for example, on Vonovia's development and new construction business thanks to a quicker approval of building applications. Vonovia is also implementing robotic process automation (***RPA***) in its procedures to reduce its administrative overheads and increase its efficiency and effectiveness.

8.2.2.4 Social responsibility

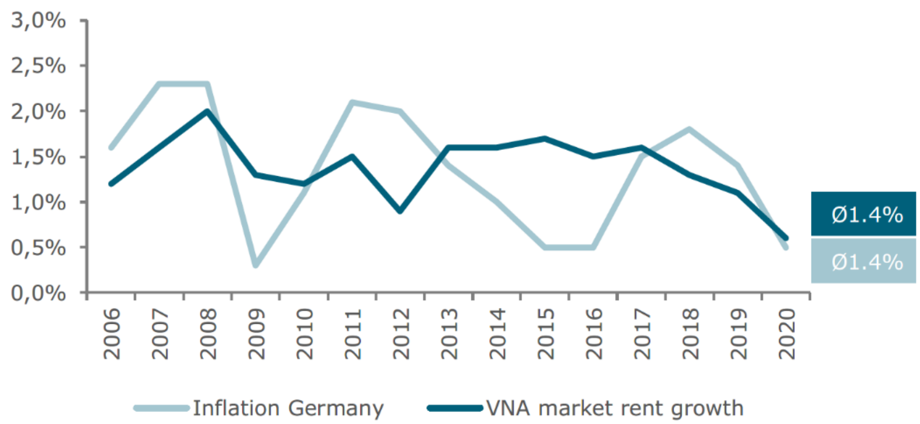
The Group has seen an increasing shift towards environmental, social and governance (***ESG)***-conscious stakeholders, which proactively pursue certain policy outcomes resulting in shifts in the Group's strategy and decision making. The Group believes its increased focus on sustainability has in part contributed to the increase in its CSI of 8.6% in the 2020 fiscal year. The Group applies the SPI as a KPI comprising of six key figures. See "*13.5 Sustainability*" for further details. In addition, the Group introduced certain initiatives forming part of its sustainability commitment: the Group's hardship management policy (*Härtefallmanagement*) ensures that tenants will not be evicted although the circumstances would permit this; furthermore, to ensure that apartments remain affordable for tenants who are older than 70 years, rents will not increase above such age. As another example of the Group's ESG-related policies affecting its results of operation, following the ruling of the German Federal Constitutional Court (*Bundesverfassungsgericht*) on the invalidity of the Berlin Rent Freeze Legislation, Vonovia pledged to its tenants that they will not have to pay any foregone rent, with the Group waiving its right to claw back up to EUR 10 million.

8.2.2.5 Demographic change

The Group estimates that the population of 65+ years will increase in the coming years (Source: United Nations). Such demographic changes require refurbishing of apartments to enable an ageing population to stay in their homes with little or no assistance. Therefore, the Group is preparing around one third of all new letting apartments that become vacant for elderly tenants.

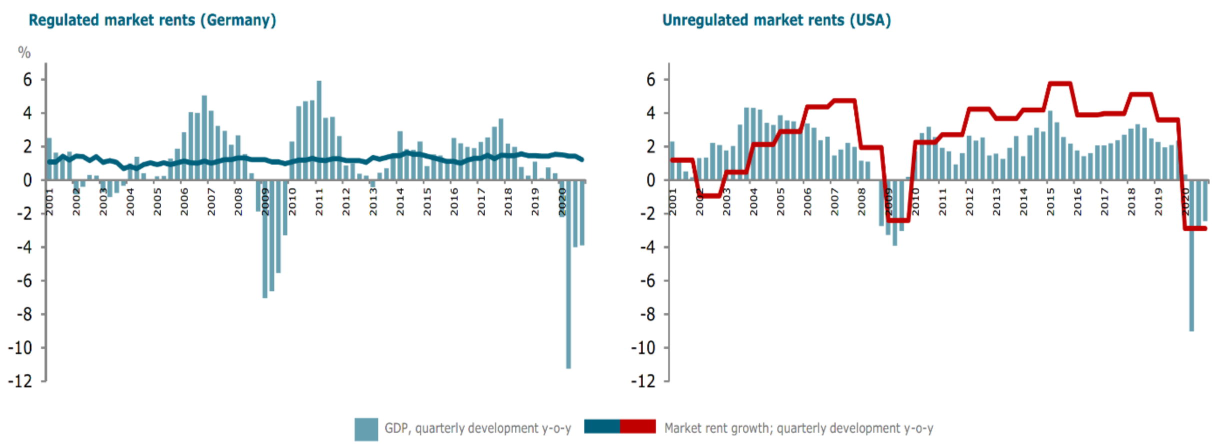
8.2.3 Economic developments

The Group's results of operation are generally dependent on the continuation of positive economic developments in the long term. In the short-term, the Group's results of operations are relatively more resilient and less correlated to fluctuations in the economic environment. For example, as illustrated by the following diagram, there is no direct connection between Vonovia's market rent growth and the rate of inflation in Germany, however, the two remain broadly in line over time.



(Source: German Federal Statistical Office)

Furthermore, regulations and other economic measures in the markets in which the Group operates may artificially dampen or mitigate the effects of short-term fluctuations in economic developments to which it would otherwise be exposed. For example, as illustrated by the following diagram, regulated market rents in Germany have been generally stable compared to fluctuations in German gross domestic product (***GDP***) whereas unregulated market rents in the United States appear to have shown a stronger correlation with US GDP:



Source: German Federal Statistical Office, GdW (German Association of Professional Homeowners), REIS, OECD.
Note: Due to lack of quarter-on-quarter rent growth data for the US, the annual rent growth for a year is assumed to also be the quarter-on-quarter rent growth of that year.

The Group's results of operation also remain dependent on economic developments in the regional sub-markets where its properties are located. For more information, see "*1.1.1 Vonovia is dependent on economic developments in the regional sub-markets where its properties are located. The Group is dependent on its ability to adapt its housing activities to these developments.*".

8.2.4 Regulatory developments

Changes to the regulatory environment in which the Group operates may affect its results of operation.

8.2.4.1 Rent and other regulatory measures

Statutory and regulatory provisions and measures setting rent levels are highly relevant to Vonovia's results of operation. The Group anticipates that certain megatrends (such as urbanization) and economic developments (such as a shortage of affordable housing) may result in more stringent rent regulation initiatives, with the risk of the introduction of such policies being elevated in 2021 due to the combination of the Covid-19 recovery and federal election for the German parliament (*Bundestag*) on September 26, 2021. As an example of the direct effect of rent regulation measures on the Group's results of operation, in April 2021, the Group has waived its rights to claw back up to EUR 10 million which it would otherwise have been entitled to as a recent ruling of the German Federal Constitutional Court (*Bundesverfassungsgericht*) that the Berlin Rent Freeze Legislation was invalid.

In terms of other regulatory development relevant to the Group's results of operations, at the end of 2020, the German cabinet approved a reform of the rent index law, with the aim of strengthening the quality of rent indices, ensuring that they are more widely used and increase legal certainty for tenants and landlords alike. The German cabinet also approved a housing allowance reform, meaning that low-income households have been receiving more housing allowance since the beginning of 2020. In 2020, there was also an extension of the observation period used to prepare rent indices (*Mietspiegel*) from four to six years as well as a decision to tighten and extend the rent cap in Germany until 2025. Other legislation in Germany that may affect the Groups' results of operation are the Building Land Mobilization Act (*Baulandmobilisierungsgesetz*) (which is designed, among other things, to make it more difficult to convert rental apartments into condominiums), CO_2 pricing (as described in the paragraph below), the "*Baukindergeld*" housing subsidy for families with children (which expired in 2021) and the conclusion of special tax allowances made for investments in rental apartments. Reforms to land tax (*Grundsteuer*) in Germany, as well as the amendment to the German RETT system, which became effective July 1, 2021, as well as the amendments to the telecommunications legislation, may also affect the Group's results of operation.

8.2.4.2 Structure of the CO_2 levy

The German government has decided to introduce a CO_2 price as a management tool and climate protection measure. The levy on CO_2 emissions per metric ton has already been defined for the period leading up to 2025. According to current legislation, tenants must bear the CO_2 levy on energy consumption for heating. The "Climate Action Programme 2030" may also result in changes to tenancy law with regard to the extent to which CO_2 levy can be passed on. The German federal government had initially proposed a new legislation under which landlords would only have been allowed to pass on 50% of the CO_2 levy to the tenant. On June 22, 2021, the federal government has decided not to further pursue this proposal. However, on the date of this Prospectus, it cannot be ruled out that the newly elected German government makes new attempts to amend the law accordingly to shift costs related to the CO_2 levy to landlords. In such case, the Group expects an estimated loss between EUR 25 million and EUR 100 million for the period of the fiscal year 2022 to the fiscal year 2025. According to current estimates, Vonovia is expected to pay around EUR 40 million in CO_2 levy by 2025 assuming it is introduced in 2022. Vonovia has also set itself a CO_2 intensity target equating to a roughly 25% reduction in CO_2 emissions in its German portfolio by 2030 compared to 2019 in order to meet the climate objectives of the German government and associated regulatory requirements.

8.2.5 Portfolio size, rent levels and vacancy rates

Income from property management depends on the performance of the key operational metrics in the rental business: portfolio size, rent levels and vacancy rates. The following table sets forth information on the Vonovia Portfolio, average residential in-place rent per square meter (***sqm***) and average vacancy rate:

	As of December 31,			As of September 30,
	2020	2019	2018	2021
	(unaudited)			
Monthly in-place rent (EUR/sqm)	7.16	6.93	6.52	7.34
Number of units managed	489,709	494,927	480,102	639,878(*)
thereof own apartments	415,688	416,236	395,769	568,451(*)
thereof apartments owned by others	74,021	78,691	84,333	71,427
Vacancy rate (in %)	2.4%	2.6%	2.4%	2.7%

(*) including the Deutsche Wohnen Portfolio

8.2.5.1 Portfolio size

Income from property management tends to increase or decrease with changes in the size of the investment portfolio. Although income from property management is negatively affected by a decline in the size of the investment portfolio, portfolio optimization tends to result in improvements in average rental and vacancy rates for the remaining portfolio. The Group intends to further improve its residential portfolio by the sale of approximately 1,150 residential units of its "Non-core" portfolio in the mid-term.

Long-term portfolio optimization is based on the classification of the Vonovia Portfolio in the following portfolios: Vonovia Germany, Vonovia Sweden, Vonovia Austria. The Vonovia Germany portfolio is further divided into the following sub-portfolios: Strategic (which is further split into the Operate and Invest portfolios), Recurring Sales and Non-core Disposals.

While acquisitions will positively affect income from property management, the impact on operating measures such as residential in-place rent and vacancy rates and financial measures such as Group FFO, the LTV Ratio and EPRA NTA will depend on the characteristics of the acquired portfolio and related financing structure. Under the Group's investment policy, in addition to presenting a strategic fit, planned acquisitions should usually have an EBITDA yield equivalent to the comparable Vonovia portfolio, should be at least EPRA NTA per share neutral and should not negatively affect the Company's long-term stable BBB+ credit rating.

8.2.5.2 Rent levels

The Group's income from property management is directly affected by the level of residential in-place rent per sqm it is able to charge. Rent levels depend generally on the location and condition of properties in the portfolio. The Group constantly monitors current market rents and rent indices (*Mietspiegel*) in individual micro markets where its properties are located and strives to set its rents in line with the current market level to the extent allowed by law and its contractual arrangements. The Group also puts substantial effort into improving the quality of its buildings particularly through investments in energy efficiency, senior friendly living modernizations and high-quality refurbishments, which increase the economic value of residential units and allow the Group, *inter alia*, to increase rents, including under existing tenancy agreements. In the past three years, the Group was able to raise the average residential in-place rent per sqm per month for the Vonovia Portfolio from EUR 6.52 as of December 31, 2018 to EUR 7.34 as of September 30, 2021, which also includes ancillary costs relating to the Vonovia Portfolio in Sweden.

8.2.5.3 Vacancy rates

Vacancy rates also affect the profitability of the Group's rental business due to the loss of rental income and the inability to pass on to tenants the ancillary expenses with respect to vacant units. The number of vacant units depends on both regional economic and demographic trends, the condition and attractiveness of a particular property and the duration of refurbishment measures within the apartments. Tenant turnover contributes to the number of vacant units due to the fact that time may elapse before newly vacated units can be re-let. Although high vacancy rates adversely affect the Group's rental business, vacant units also provide the option to substantially increase the quality of the apartment with an increase in rent levels for that unit. In addition, the Group may be able to charge an additional premium for vacant units in individual sales to prospective tenants and small capital investors and therefore from time to time chooses to keep certain units designated for privatization vacant. The Group has implemented measures (including through monitoring its Customer Satisfaction Index) to reduce vacancy rates, tenant turnover and the time it takes to enter into new leases with respect to vacated units, and it will continue its efforts in this regard. In the period beginning with the fiscal year 2018 until September 30, 2021, the Group's vacancy rate in relation to the Vonovia Portfolio has remained relatively constant in a range of 2.4% to 2.9%.

8.2.6 Sales prices, sales proceeds and profit on disposals of properties

The Group's profit on the disposal of properties depends generally on the number of units sold, market prices for the properties in its portfolio and the mix of properties sold and the respective book values of units sold. Sales prices are influenced significantly by the location and condition of the property in question, the level of rental income it is able to generate, the prevailing interest rates and the general perception of the relevant asset class by investors. Increases in the construction of new residential units can reduce market demand for the Group's real estate holdings and adversely affect the prices that the Group can realize from disposals. Political and regulatory decisions and developments, such as, for example, decisions to increase or decrease public spending for construction of affordable housing, changes in the legal framework (*e.g*. the introduction of a limit on rent increases for new leases (***rent control***, or *Mietpreisbremse*) or similar (see "*8.2.4 Regulatory developments*")), changes in interest rates (see "*8.2.7 Net income from fair value adjustments of investment properties*" and "*8.2.11 Changes in interest rates*") and increases or decreases in RETT, also influence supply and demand in the residential property market and can affect price trends for residential real estate. In recent years, especially as a result of the structural supply-demand in urban areas but also due to the low interest rate environment and the general positive perception of the relevant asset class, demand for residential real estate has been strong.

The Group engages in two types of property sales: sales of single units in condominium properties (Recurring Sales) on the one hand and sales of properties and plots of land allocated to the Non-core Disposal portfolio on the other, which include, in particular, multi-family residential buildings and commercial properties. Sales from the last-mentioned portfolios are made on a building-by-building basis or as block sales.

In single unit sales to owner-occupants or small capital investors within the scope of privatizations and sales from properties in the Recurring Sales segment, the Group currently aims to sell, over the medium term, at average prices of around 30% above Fair Value. With respect to Non-core Disposals, the Group's main objective is to optimize the portfolio by selling properties, on average, at around Fair Value.

Although single unit sales (privatizations) tend to be relatively unaffected by economic developments, they have, however, benefited from increased demand for residential real estate investment owing mainly to the low interest rate environment. Non-core Disposals are generally strongly influenced by economic conditions and therefore more opportunistic in nature. In addition, as multi-family residential buildings and commercial properties are sold at or near Fair Value, such transactions positively affect cash flow but have a very limited impact on the Group's profit on disposal of properties. By contrast, over the medium term, the Company targets single unit sales (privatizations) at average prices of approximately 30% above Fair Value, therefore such sales tend to substantially affect both cash flow and profit on disposal of properties.

The following table sets forth information regarding the number of units managed, the number of units bought and sold and the number of new apartments completed by Vonovia in relation to the Vonovia Portfolio in the periods under review:

	Fiscal year ended December 31,			**Nine-month period ended September 30,**	
	2020	**2019**	**2018**	**2021**	**2020**
	(unaudited)				
Number of units managed	489,709	494,927	480,102	639,878	488,400
thereof own apartments	415,688	416,236	395,769	565,451	414,570
thereof apartments owned by others	74,021	78,691	84,333	71,427	73,830
Number of units bought	1,711	23,987	63,706	154,918	–
Number of units sold	3,677	4,784	15,102	2,987	2,712
thereof Recurring Sales	2,442	2,607	2,818	2,367	1,883
thereof Non-core Disposals	1,235	2,177	12,284	620	829
Number of new apartments completed	2,088	2,092	1,108	1,366	1,437
thereof own apartments	1,442	1,301	638	786	1,056
thereof apartments for sale	646	791	470	580	381

8.2.7 Net income from fair value adjustments of investment properties

Any gains or losses from a change in Fair Value of the Group's investment properties are recognized in the "net income from Fair Value adjustments of investment properties" line item in the Group's income statement. For the nine-month period ended September 30, 2021, the Group reported net income from Fair Value adjustments of investment properties of EUR 5,073.0 million (September 30, 2020: EUR 1,830.2 million) and, for the fiscal year ended December 31, 2020, EUR 3,719.8 million of net income from Fair Value adjustments of investment properties (2019: EUR 4,131.5 million; 2018: EUR 3,517.9 million). Gains and losses from a change in Fair Value of the Group's real estate properties primarily arise as a result of changes in the valuation of the Group's investment properties. As of September 30, 2021, the Group's investment properties were valued at EUR 91.5 billion and, as of December 31, 2020, the Group's investment properties were valued at EUR 58.1 billion (2019: EUR 52.7 billion; 2018: EUR 43.5 billion). The primary driver of changes to the valuation of the Group's investment properties is yield compression (*i.e.* the difference in dynamic of real estate prices compared to rental rates). Yield compression, in turn, is favored by the low interest rate level and the high demand for investment opportunities with a stable business area. It is expressed in the market in high sales prices for residential real estate.

8.2.8 Ability to complete projects in time and within the envisaged budget

The results of the Group's Development segment are significantly impacted by its ability to meet its projected construction costs and its anticipated completion dates. When acquiring land plots or properties, the Group projects achievable sales prices per residential unit on the basis of actual demand, comparable development projects in proximate locations and market conditions, determines a detailed development budget and sets the maximum acquisition price for such land plots or properties that enable it to achieve its planned margin, subject to successful planning and construction.

By selling projects at higher prices than initially anticipated or by completing projects earlier than planned and/or at lower than expected costs, the Group can generate higher returns than originally anticipated. Conversely, interruptions and/or budget overruns may result in the Group incurring a loss on a given project. In certain situations, the Group may not be able to increase sales prices to cover project development cost overruns should these occur. Further, it may not be able to find purchasers for the remaining residential units under development willing to pay a higher purchase price offsetting any such cost overruns. While the German Civil Code (*Bürgerliches Gesetzbuch*) generally excludes ordinary and extraordinary termination rights, with or without cause, for residential property development contracts, purchasers in Germany may have the right to withdraw from the entire contract, including the purchase of property, if the Group significantly fails to deliver completed units in compliance with its contractual obligations, fails to rectify such non-compliance and deliver within the agreed standard and within a reasonable deadline set by such purchaser or refuses to rectify such non-compliance. Accordingly, the Group may not be able to achieve a positive margin and may even suffer a loss from project development if it does not adhere to its projected development costs or delivery schedule.

Construction costs are recorded under the "cost of Development to hold" or "cost of sold properties" and are recognized as soon as the material risks and rewards of ownership have been transferred to the buyer and Vonovia has no substantial further obligations. This means that such costs typically will not immediately affect the Group's profitability. Vonovia has typically been able to pass through increased input costs to purchasers through increased sale prices, however, there can be no assurance that such costs will always be able to be passed on.

The accounting for cost overruns and delays depends on the applied method of accounting. Under the revenue recognition point in time method, cost overruns and delay are reflected in contract loss provisions. Under the revenue recognition point in time method, cost overruns result in impairment losses if the carrying amount of capitalized building costs exceeds the net consideration to which the Group expected to be entitled upon sale, less any remaining costs still to be incurred that relate to the relevant project development.

Vonovia's ability to achieve the planned margin for each of its development projects is dependent upon selling prices remaining or developing favorably prior to the sale of the underlying properties. The Group's ability to achieve the planned margin for each of its development projects is also dependent upon the availability of experienced and capable project managers and the absence of any unexpected site problems (for example, the discovery of on-site pollution requiring clean-up) which could delay the project.

8.2.9 Insourcing

In recent years, Vonovia has been extending the range of services it provides to its customers. With respect to certain services that are closely related to, and have an impact on, its rental business, such as maintenance measures, the Group seeks to reduce its dependence on outside contractors, save costs, and perform such services by means of its own craftsmen's organization. With respect to services that require expertise outside of the Group's core competence and that must therefore be provided by third parties, if the choice of external service provider lies with the property owner, the Group may enter into partnerships and cooperation agreements with outside contractors to offer its customers attractive service conditions.

Vonovia is aiming to continually increase the proportion of building and apartment optimizing services Vonovia provides via the craftsmen's organization as well as new building construction and reduce the proportion of third-party services that Vonovia needs to purchase. In particular, due to the shortage of workers with the desired skills and the availability of corresponding capacities, Vonovia intends to extend the scope of these services to cover all kinds of technical work and thus bring added value from these services to Vonovia. Vonovia is also working on new construction concepts to facilitate both the highly standardized series construction of new properties using modular systems and flexible, individually scalable new construction that can be varied to suit the local conditions. This is being supported by corresponding HR management concepts.

By offering Vonovia's tenants the option of targeted modernization measures in their own homes, Vonovia can boost customer satisfaction and help promote longer-term loyalty to the Group. This also allows Vonovia to further improve the quality of the homes Vonovia offers.

The Group believes that the insourcing of caretaker and craftsmen functions allows it to improve the quality of repairs, shorten response times to customer complaints and generally increase the attractiveness of its residential properties. In addition, the Group expects to realize significant cost reductions, particularly in value-added tax savings, with respect to maintenance work performed by its own employees (as the purchase of such services from third-party providers would be subject to VAT that is not recoverable).

While the Group's insourcing activities result in higher personnel expenses, they also result in lower costs of materials due to reduced expenses for maintenance resulting from the fact that maintenance services provided by third parties are increasingly performed by the Group's craftsmen's organization. As part of the insourcing activities, the Group also needs to manage fluctuations, which tend to be relatively high within its craftsmen's organization, as well as the need to higher skilled and experienced staff.

Capitalized internal expenses in the 2020 fiscal year amounted to EUR 659.4 million (2019: EUR 687.2 million; 2018: EUR 608.2 million) and mainly relate to the expenses of the Group's own craftsmen's organization contained in the capitalized modernization costs as well as the management costs for major modernization projects.

At the end of 2020, Vonovia had supplied around 300,000 households with a direct cable TV signal. Vonovia expects to further extend this business in the coming years and also provide broadband data access. Following the recent amendment to the telecom legislation in Germany, the supply of TV signal will not from part of ancillary costs anymore.

The expansion of smart submetering, the remote recording of heating costs, is progressing as planned. By the end of 2020, the retrofitting of more than 195,000 apartments had been commissioned. Vonovia plans to further expand these business activities in its portfolio over the next few years.

In the 2020 fiscal year, Vonovia further expanded its offering in the field of energy supplies, *i.e.* the distribution of electricity and gas. The market response to this has been positive. In the 2020 fiscal year, 20,400 private electricity customers were supplied with 27 gigawatt hours (***GWh***) of electricity, with 2,700 private gas customers receiving 13.6 GWh of gas. Vonovia expects further opportunities to arise in this area as Vonovia expands the business volume.

8.2.10 Significant debt financing

The Group depends on the availability of financing and its profit for the period is materially affected by its financing costs. Accordingly, entering into financing agreements on favorable terms, including for the purpose of refinancing its existing financial obligations, is of considerable importance to the Group. The Group monitors its financial leverage through its LTV Ratio, which was 44.2% as of September 30, 2021 (as of December 31, 2020: 39.4%; 2019: 43.1%; 2018: 42.8%). In addition, the Group closely monitors its EBITDA / Net debt ratio, which is increasingly considered by investors.

The Group issued bonds with a volume of EUR 2.7 billion in the 2020 fiscal year (2019: EUR 3.0 billion; 2018: EUR 3.6 billion) and, in the nine-month period ended September 30, 2021, has issued bonds with a volume of EUR 9.5 billion. The volume-weighted average interest costs of the new bonds issued in the nine-month period ended September 30, 2021 was 0.61% and (2020: 1.26% p.a.; 2019: 0.97% p.a.; 2018: 1.31% p.a.) with a weighted average maturity of 10.4 years (2020: 7.6 years; 2019: 10.5 years; 2018: 8.6 years).

On March 24, 2021, Vonovia issued its first green bond, with a tenure of ten years, volume of EUR 600 million and interest rate of 0.625% per year. The green bond issuance is an example of the megatrends toward climate protection and ESG policies more generally (see "*8.2.3 Economic developments"*) and illustrates the linkage between these megatrends, the availability and costs of financing and the Group's sustainability strategy.

The following table shows how the Group's non-derivative financial liabilities developed during the nine-month period ended September 30, 2021 at their book value.

	As of January 1, 2021	**First-time consolida-tion**	**New loans**	**Scheduled repay-ments**	**Unschedul-ed repay-ments**	**Adjusted for effective interest method**	**Other adjust-ments**	**Exchange rate differences**	**As of September 30, 2021**
					(unaudited)				
					(EUR in millions)				
Bond (USD)	202.0	–	–	–	–	12.4	–	–	214.4
Bond (EMTN)	15,186.5	–	9,500.0	–	–	(83.4)	–	–	24,603.1
Green Bonds	–	–	600.0	–	–	(3.5)	–	–	596.5
Promissory note loan	49.9	–	224.0	(4.0)	(20.0)	–	–	–	249.9
Mortgages	8,531.2	–	2,006.8	(1,946.8)	(221.0)	(32.2)	(118.6)	(24.5)	8,194.7
Deferred interest	115.1	–	–	–	–	–	29.3	–	144.4
Deutsche Wohnen									
Convertible bonds	–	1,203.0	–	–	–	–	–	–	1,203.0
Other financial liabilities*	–	10,752.0	–	–	–	–	–	–	10,752.0
Deferred interest	–	25.8	–	–	–	–	–	–	25.8
Total	**24,084.7**	**11,980.8**	**12,330.8**	**(1,950.8)**	**(241.2)**	**(106.7)**	**(89.3)**	**(24.5)**	**45,983.8**

(*) Figures includes mortgages, corporate bonds, registered bonds and bearer bonds.

In connection with the issue of unsecured bonds by Vonovia Finance B.V. or the Company, Vonovia has undertaken to comply with the following standard market covenants: limitations on incurrence of financial indebtedness, maintenance of consolidated coverage ratio and 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 Group's results of operations, financial position and liquidity.

For further information on the Group's financial liabilities and their development over the periods under review, see "*8.7.3 Financial liabilities*".

8.2.11 Changes in interest rates

Changes in interest rates affect the Group's business in a number of ways. Interest rates may affect capitalization and discount rates, which in turn indirectly influence the Fair Value of its investment portfolio. Moreover, lower interest rates in Germany, Austria and Sweden tend to increase demand for residential properties, resulting in higher acquisition costs, and also tend to positively impact the sale of properties. Conversely, rising interest rates lead to less favorable financing terms and negatively impact the sale of properties as well as tend to impact capitalization and discount rates. In addition, changes in interest rates impact the Group's costs of financing. They affect the conditions at which the Group may obtain fixed rate financing and impact interest payment obligations under its floating rate debt obligations.

The Group has engaged in significant hedging transactions to reduce the risk of interest rate fluctuations. The Group fulfils the requirements of the IAS 39 hedge accounting rules applicable to accounting for hedging instruments in hedging against cash flow risks from variable interest rate loans (interest swaps, interest caps). When interest rate levels fluctuate, the market value of the hedge also fluctuates. Under hedge accounting, changes in the market value of hedging instruments that are part of an effective hedge relationship are recognized directly in equity. Only those portions that do not meet the effectiveness requirements of IAS 39 are recognized in the consolidated profit and loss statement. For more information on hedge accounting, see Note 5 (*Financial Reporting of Financial Assets and Financial Liabilities*) in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2020.

8.2.12 Adjustment to prior-year figures

Certain figures stated in this Prospectus as of and for the fiscal year ended December 31, 2019 have been adjusted in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2020 compared to the same line item of results stated in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2019. For more information, see Note 2 (*Adjustment to Prior-year Figures*) in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2020.

Certain figures stated in this Prospectus as of and for the fiscal year ended December 31, 2018 have been adjusted in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2019 compared to the same line item of figures stated in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2018. For more information, see Note 2 (*Adjustment to Prior-year Figures*) in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2019.

8.2.12.1 Adjustments to the consolidated balance sheet

The total consideration for the acquisition of the Hembla Group was allocated with definitive effect as of June 30, 2020. Compared with the provisional allocation as of December 31, 2019, embedded derivatives in the form of termination options amounting to EUR 78.2 million were also recognized. Inversely, deferred tax liabilities of EUR 16.1 million were recognized. In addition, further acquisitions classified as "linked transactions" were taken into account. As a result, minority interests increased by EUR 54.1 million, while the purchase price liability included in other liabilities decreased by EUR 91.8 million. Goodwill was reduced by EUR 99.8 million in comparison as a result. The corresponding prior-year figures were adjusted as of the date of first-time consolidation.

8.2.12.2 Adjustments to the segment report

Used to measure the performance of the segments over time, segment revenue serves as another growth indicator for Vonovia from the 2020 fiscal year onwards. Total Segment Revenue includes all income generated by the four segments that contributes to value creation, *i.e.* that covers costs and makes an earnings contribution. The corresponding reporting is based on the internal reporting to the Management Board, as the chief operating decision-maker, which was adjusted in 2020 and reflects the change with regard to the relevance of "Total Segment Revenue" from a corporate management perspective. The corresponding prior-year figures have been adjusted to reflect the new reporting system. As a result, the Group’s financial statements are not fully comparable across the periods under review.

Detailed information on the composition of Total Segment Revenue can be found in Note 23 (*Segment Reporting*) in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2020.

Unless otherwise indicated, results stated in this Prospectus as of and for the fiscal year ended December 31, 2019 and for the fiscal year ended December 31, 2018 are taken or derived from the results stated in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2020 and December 31, 2019, respectively.

8.3 Selected Other Key Performance Indicators

In addition to its IFRS reporting, the Group tracks certain APMs because they are used by management in monitoring, evaluating and managing the Group's business and management believes these measures provide an enhanced understanding of the Group's underlying financial results and related trends. See "*2.11.1 Alternative performance measures*" of this Prospectus for more information on the definitions of the APMs the Company presents in these tables, including reconciliations of financial APMs to the nearest IFRS measure where possible.

The following table sets out a summary of the Group's financial APMs for the periods indicated:

	Fiscal year ended December 31,			**Nine-month period ended September 30,**	
	2020	**2019**	**2018**	**2021**	**2020**
	(audited, unless otherwise indicated)			*(unaudited)*	
	(EUR in millions, unless otherwise indicated)				
Total Segment Revenue	4,370.0	4,111.7(2)	3,610.7(3)(*)	3,517.0	3,211.6
Adjusted EBITDA Total	1,909.8	1,760.1	1,554.8	1,540.9	1,432.5
Adjusted EBITDA Rental	1,554.2	1,437.4	1,315.1	1,240.0	1,178.7
Adjusted EBITDA Value-add	152.3	146.3	121.2	115.6	110.1
Adjusted EBITDA Recurring Sales	92.4	91.9	79.1	105.5	74.9
Adjusted EBITDA Development	110.9	84.5	39.4	79.8	68.8
Group FFO(*)	1,348.2	1,218.6	1,132.0	1,147.3(6)	1,015.9
thereof attributable to Vonovia shareholders(*)	1,292.0	1,165.6	1,069.7	1,101.5(6)	973.7
thereof attributable to Vonovia hybrid capital investors(*)	40.0	40.0	40.0	30.0(6)	30.0
thereof attributable to non-controlling interests(*)	16.2	13.0	22.3	15.8(6)	12.2
Group FFO per share in EUR(*)(1)	2.38	2.25	2.18	1.99(6)	1.80
Adjusted NAV(*)	33,651.8	28,199.6	23,262.6	–(7)	31,356.2
Adjusted NAV per share in EUR(*)(1)	59.47	52.00	44.90	–(7)	55.41
EPRA NTA(*)	35,488.6	29,762.2(4)	–(5)	40,417.9(6)	–(5)
EPRA NTA per share in EUR(*)(1)	62.71	54.88(4)	–(5)	70.26(6)	–(5)
LTV Ratio (%)(*)	39.4	43.1	42.8	44.2(6)	40.6

(*) Figures unaudited.
(1) Based on the shares carrying dividend rights on the reporting date.
(2) The figure stated as at December 31, 2019 has been adjusted in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2020 compared to the same line item of figures stated in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2019. For more information, see Note 2 (*Adjustment to Prior-year Figures*) in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2020.
(3) The figure stated as at December 31, 2018 was not reported at the specific reporting date and has been retroactively calculated for comparison purposes.
(4) EPRA NTA and EPRA NTA per share were not reported as APMs as at the specified reporting date and have been retroactively calculated for comparison purposes.
(5) EPRA NTA and EPRA NTA per share were not reported as APMs as at the specified reporting date.

(6) These figures stated as at September 30, 2021 include the effects of the at equity accounting of Deutsche Wohnen.
(7) Adjusted NAV and Adjusted NAV per share were not reported as APMs as at the specified reporting date.

8.3.1 Total segment revenue

The table below sets forth the calculation of Total Segment Revenue for the fiscal years ended December 31, 2020, 2019 and 2018 as well as for the nine-month period ended September 30, 2021 and 2020:

	Fiscal year ended December 31,			Nine-month period ended September 30,	
	2020	2019	2018	2021	2020
	(audited, unless otherwise indicated)			*(unaudited)*	
	(EUR in millions)				
Rental income	2,288.5	2,077.9	1,897.8	1,764.7	1,708.8
Other income from property management unless included in the operating expenses in the Rental segment	50.2	48.7	45.8(*)	40.8	36.3
Income from disposals Recurring Sales	382.4	365.1	356.1	422.2	296.5
Internal revenue Value-add	1,053.0	1,104.2(1)	987.9(*)	798.3	762.6
Income from disposal of properties (Development)	297.7	249.5(1)	225.1	328.8	181.6
Fair Value Development to hold	298.2	266.3(1)	98.0(*)	162.2	225.8
Total Segment Revenue	**4,370.0**	**4,111.7**	**3,610.7(*)**	**3,517.0**	**3,211.6**

(*) Figures unaudited.
(1) The figures stated as at December 31, 2019 have been adjusted in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2020 compared to the same line item of results stated in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2019. For more information, see Note 2 (*Adjustment to Prior-year Figures*) in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2020.

Total Segment Revenue increased by EUR 305.4 million, or 9.5%, from EUR 3,211.6 million for the nine-month period ended September 30, 2020 to EUR 3,517.0 million for the nine-month period ended September 30, 2021. The increase was primarily due to the increase in the income from disposal of properties from the Development segment and the income from disposals in the Recurring Sales segment as well as an increase in rental income caused by organic growth.

Total Segment Revenue increased by EUR 258.3 million, or 6.3%, from EUR 4,111.7 million for the fiscal year ended December 31, 2019 to EUR 4,370.0 million for the fiscal year ended December 31, 2020. The increase was primarily due to the increase in rental revenue due to the acquisition of Hembla and to organic growth thanks to new construction and modernization.

Total Segment Revenue increased by EUR 501.0 million, or 13.9%, from EUR 3,610.7 million for the fiscal year ended December 31, 2018 to EUR 4,111.7 million for the fiscal year ended December 31, 2019. The increase was primarily due to the increase in rental revenue from acquisition of BUWOG and Victoria Park and due to additional Fair Value from Development to hold BUWOG.

8.3.2 Group FFO

8.3.2.1 Development of Group FFO

The table below sets forth the calculation of Group FFO for the fiscal years ended December 31, 2020, 2019 and 2018 as well as for the nine-month period ended September 30, 2021 and 2020:

	Fiscal year ended December 31,			Nine-month period ended September 30,	
	2020	2019	2018	2021	2020
	(audited, unless otherwise indicated)			*(unaudited)*	
	(EUR in millions)				
Revenue in the Rental segment	2,285.9	2,074.9	1,894.2	1,762.7	1,706.9
Expenses for maintenance	(321.1)	(308.9)	(289.7)	(245.3)	(234.9)
Operating expenses in the Rental segment	(410.6)	(328.6)	(289.4)	(277.4)	(293.3)
Adjusted EBITDA Rental	**1,554.2**	**1,437.4**	**1,315.1**	**1,240.0**	**1,178.7**
Revenue in the Value-add segment	1,104.6	1,154.8(3)	1,037.2(*)	840.1	800.0
thereof external revenue	51.6	50.6(3)	49.3(*)	41.8	37.4
thereof internal revenue	1,053.0	1,104.2(3)	987.9(*)	798.3	762.6
Operating expenses in the Value-add segment	(952.3)	(1,008.5)(3)	(916.0)(*)	(724.5)	(689.9)
Adjusted EBITDA Value-add	**152.3**	**146.3**	**121.2**	**115.6**	**110.1**
Revenue in the Recurring Sales segment	382.4	365.1	356.1	422.2	296.5
Fair Value of properties sold adjusted to reflect effects not relating to the period from assets held for sale in the Recurring Sales segment(*)	(274.0)	(258.4)	(262.8)	(302.7)	(211.6)
Adjusted result Recurring Sales(*)	**108.4**	**106.7**	**93.3**	**119.5**	**84.9**
Selling costs in the Recurring Sales segment	(16.0)	(14.8)	(14.2)	(14.0)	(10.0)
Adjusted EBITDA Recurring Sales	**92.4**	**91.9**	**79.1**	**105.5**	**74.9**
Revenue from disposal of "Development to sell" properties	297.7	249.5	225.1	328.8	181.6
Cost of Development to sell(1)	(235.9)	(197.3)	(181.8)	(270.3)	(145.0)
Gross profit Development to sell	**61.8**	**52.2**	**43.3**	**58.5**	**36.6**
Fair Value Development to hold	298.2	266.3(3)	98.0(*)	162.2	225.8
Cost of Development to hold(2)	(235.4)	(207.4)(3)	(79.3)(*)	(117.9)	(181.5)
Gross profit Development to hold(*)	**62.8**	**58.9**	**18.7**	**44.3**	**44.3**
Rental revenue Development	1.2	1.1(3)	0.1(*)	1.0	0.8
Operating expenses in the Development segment	(14.9)	(27.7)(3)	(22.7)(*)	(24.0)	(12.9)
Adjusted EBITDA Development	**110.9**	**84.5**	**39.4**	**79.8**	**68.8**
Adjusted EBITDA Total	**1,909.8**	**1,760.1**	**1,554.8**	**1,540.9**	**1,432.5**
FFO interest expense(*)(4)	(380.1)	(358.6)	(328.8)	(267.5)	(289.2)
Current income taxes FFO(*)	(52.4)	(50.1)	(36.5)	(58.2)	(35.6)
Consolidation(*)(5)	(129.1)	(132.8)	(57.5)	(93.5)	(91.8)
FFO-at-equity effects of Deutsche Wohnen	–	–	–	25.6	–
Group FFO(6)(*)	**1,348.2**	**1,218.6**	**1,132.0**	**1,147.3**	**1,015.9**

(*) Figures unaudited.

(1) Cost of development to sell is referred to as line item “cost of sold properties” in the consolidated income statement of the Audited Consolidated Financial Statements and the Unaudited Condensed Interim Consolidated Financial Statements.

(2) Excluding capitalized interest on borrowed capital in the amounts of EUR 0.8 million, EUR 0.0 million and EUR 0.0 million for the fiscal years ended December 31, 2020, 2019 and 2018 respectively, and EUR 0.9 million and EUR 0.3 million for the nine-month period ended September 30, 2021 and 2020 respectively.

(3) The figures stated as at December 31, 2019 have been adjusted in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2020 compared to the same line item of results stated in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2019. For more information, see Note 2 (*Adjustment to Prior-year Figures*) in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2020.

(4) See "*8.3.2.2 Reconciliation from financial result to FFO interest expense*" for a reconciliation from the 'financial results' line item to the 'FFO interest expense' line item.

(5) Thereof, for the fiscal years ended December 31, 2020, 2019 and 2018 and the nine-month period ended September 30, 2021 and 2020 respectively, the Group reported intragroup profits of EUR 33.5 million, EUR 43.9 million, EUR 38.8 million, EUR 27.2 million and EUR 24.1 million, gross profit development to hold of EUR 62.8 million, EUR 58.9 million, EUR 18.7 million, EUR 44.3 million and EUR 44.3 million and IFRS 16 effects of EUR 32.8 million, EUR 29.9 million, EUR 0.0 million, EUR 22.0 million and EUR 23.4 million.

(6) See "*8.3.2.3 Reconciliation from profit for the period to Group FFO*" for a reconciliation from the 'profit for the period' line item to the 'Group FFO' line item.

Group FFO, the Group's primary key figure for the sustained earnings power, increased by EUR 131.4 million, or 12.9%, from EUR 1,015.9 million for the nine-month period ended September 30, 2020 to EUR 1,147.3 million for the nine-month period ended September 30, 2021. This increase was mainly due to organic growth from new construction and modernization as well as the significantly higher sales result in the Recurring Sales segment. The positive development of Adjusted EBITDA Total made a significant contribution to this, rosing by 7.6% from EUR 1,432.5 million in the nine-month period ended September 30, 2020 to EUR 1,540.9 million in the nine-month period ended September 30, 2021. In addition, Group FFO for the nine-month period ended September 30, 2021 includes Deutsche Wohnen's FFO-at-equity effect in the amount of EUR 25.6 million.

In the 2020 fiscal year, Group FFO, increased by 10.6% from EUR 1,218.6 million in 2019 to EUR 1,348.2 million in 2020, largely due to acquisitions and organic growth. This trend was fueled primarily by the positive development in Adjusted EBITDA Total, which rose by 8.5% from EUR 1,760.1 million to EUR 1,909.8 million during the reporting period.

In the 2019 fiscal year, Group FFO increased by 7.7% from EUR 1,132.0 million in 2018 to EUR 1,218.6 million in 2019, largely due to acquisitions and organic growth. This trend was fueled primarily by the positive development in Adjusted EBITDA Total, which rose by 13.2% from EUR 1,554.8 million to EUR 1,760.1 million during the reporting period.

See "*8.5 Segment Discussion*" for a discussion of the developments in Adjusted EBITDA Rental, Adjusted EBITDA Value-add, Adjusted EBITDA Recurring Sales and Adjusted EBITDA Development over the periods under review.

8.3.2.2 Reconciliation from financial result to FFO interest expense

The table below sets forth a reconciliation of the "Financial result" line item to the "FFO interest expense" line item for the fiscal years ended December 31, 2020, 2019 and 2018 as well as for the nine-month period ended September 30, 2021 and 2020:

	Fiscal year ended December 31,			**Nine-month period ended September 30,**	
	2020	**2019**	**2018**	**2021**	**2020**
	(audited, unless otherwise indicated)			*(unaudited)*	
	(EUR in millions)				
Interest income	21.9	8.9	5.8(2)	4.9	17.5
Interest expense	(411.4)	(417.5)	(420.8)(2)	(280.5)	(310.2)

	Fiscal year ended December 31,			Nine-month period ended September 30,	
	2020	2019	2018	2021	2020
	(audited, unless otherwise indicated)			*(unaudited)*	
	(EUR in millions)				
Other financial result excluding income from investments(*)	(46.0)	12.2	(25.1)	(135.3)	(20.0)
Financial result(1)	**(435.5)**	**(396.4)**	**(440.1)**	**(410.9)**	**(312.7)**
Adjustments:					
Other financial result excluding income from investments(*)	46.0	(12.2)	25.1	135.3	20.0
Effects from the valuation swaps	42.4	17.9	15.4(2)	(8.9)	42.4
Prepayment penalties and commitment interest	6.2	28.1	8.4	2.8	4.3
Effects from the valuation of non-derivative financial instruments	(48.6)	(18.9)	14.9	(16.3)	(47.5)
Interest accretion to provisions	6.2	10.0	9.1	3.0	4.3
Interest income from bond issue	(11.9)	–	–	–	(11.9)
Accrued interest/other effects(*)	(6.0)	(18.8)	65.2	33.4	36.0
Net cash interest(*)	**(401.2)**	**(390.3)**	**(302.0)**	**(261.6)**	**(265.1)**
Adjustment for IFRS 16 Leases(*)	10.5	8.8	(43.4)	7.3	7.2
Adjustment of income from investments in other real estate companies	2.4	1.7	14.0	15.1	1.5
Adjustment of interest paid due to taxes(*)	23.7	(1.0)	2.6	(1.2)	5.4
Adjustment of accrued interest(*)	(15.5)	22.2	–	(27.1)	(38.2)
FFO interest expense(*)	**(380.1)**	**(358.6)**	**(328.8)**	**(267.5)**	**(289.2)**

(*) Figures unaudited.
(1) Excludes income from other investments.
(2) The figures stated as at December 31, 2018 have been adjusted in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2019 compared to the same line item of results stated in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2018. For more information, see Note 2 (*Adjustment to Prior-year Figures*) in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2019.

8.3.2.3 Reconciliation from profit for the period to Group FFO

The table below sets forth a reconciliation of the "Profit for the period" line item to the "Group FFO" line item for the fiscal years ended December 31, 2020, 2019 and 2018 as well as for the nine-month period ended September 30, 2021 and 2020:

	Fiscal year ended December 31,			Nine-month period ended September 30,	
	2020	2019	2018	2021	2020
	(audited, unless otherwise indicated)			*(unaudited)*	
	(EUR in millions)				
Profit for the period	**3,340.0**	**1,294.3**	**2,402.8**	**3,869.1**	**1,891.6**
Financial result(*)(1)	435.5	396.4	440.1	410.9	312.7
Income taxes	1,674.4	1,844.6	1,471.5	1,964.1	940.1

	Fiscal year ended December 31,			Nine-month period ended September 30,	
	2020	**2019**	**2018**	**2021**	**2020**
	(audited, unless otherwise indicated)			*(unaudited)*	
	(EUR in millions)				
Depreciation and amortization	92.3	2,175.8	737.9	255.8	66.4
Net income from Fair Value adjustments of investment properties	(3,719.8)	(4,131.5)	(3,517.9)	(5,073.0)	(1,830.2)
EBITDA IFRS	**1,822.4**	**1,579.6**	**1,534.4**	**1,426.9**	**1,380.6**
Non-recurring items	61.5	93.1	106.6	26.0	24.1
Total period adjustments from assets held for sale	(15.3)	(2.2)	(0.5)	46.1	(4.1)
Financial income from investments in other real estate companies	(2.4)	(1.7)	(14.0)	(15.0)	(1.5)
Other (Non-core Disposals)(2)	(52.7)	(11.5)	(129.2)	(14.6)	(35.0)
Intragroup profits(*)	33.5	43.9	38.8	27.2	24.1
Gross profit Development to hold(*)	62.8	58.9	18.7	44.3	44.3
Adjusted EBITDA Total	**1,909.8**	**1,760.1**	**1,554.8**	**1,540.9**	**1,432.5**
FFO interest expense(*)(3)	(380.1)	(358.6)	(328.8)	(267.5)	(289.2)
Current income taxes FFO(*)	(52.4)	(50.1)	(36.5)	(58.2)	(35.6)
Consolidation(*)(4)	(129.1)	(132.8)	(57.5)	(93.5)	(91.8)
FFO-at-equity effects of Deutsche Wohnen	–	–	–	25.6	–
Group FFO(*)	**1,348.2**	**1,218.6**	**1,132.0**	**1,147.3**	**1,015.9**
Group FFO per share in EUR(*)(5)	**2.38**	**2.25**	**2.18**	**1.99**	**1.80**

(*) Figures unaudited.
(1) Excludes income from other investments.
(2) Disclosed as “other” in the line item “Adjusted EBITDA Total” within the segment reporting in the Audited Consolidated Financial Statements and the Unaudited Condensed Interim Consolidated Financial Statements.
(3) Includes financial income from investments in other real estate companies.
(4) Excludes capitalized interest on borrowed capital.
(5) Based on the following amounts of shares carrying dividend rights on the reporting date: December 31, 2020: 565,887,299; December 31, 2019: 542,273,611; December 31, 2018: 518,077,934; September 30, 2021: 575,257,327; and September 30, 2020: 565,887,299.

8.3.3 Net asset value and net tangible assets

The table below sets forth the calculation of the Adjusted NAV as at December 31, 2020, 2019 and 2018:

	December 31,		
	2020	**2019**	**2018**
	(audited, unless otherwise indicated)		
	(EUR in millions)		
Total equity attributable to Vonovia shareholders	**23,143.9**	**19,308.3**	**17,880.2**
Deferred taxes on investment properties(*)	11,947.8	10,288.9	8,161.1
Fair Value of derivative financial instruments(*)(1)	74.5	1.6	87.2
Deferred taxes on derivative financial instruments(*)	(19.6)	(6.3)	(23.5)

	December 31,		
	2020	2019	2018
	(audited, unless otherwise indicated)		
	(EUR in millions)		
EPRA NAV(*)	**35,146.5**	**29,592.5**	**26,105.0**
Goodwill	(1,494.7)	(1,392.9)(2)	(2,842.4)
Adjusted NAV(*)	**33,651.8**	**28,199.6**	**23,262.6**
EPRA NAV per share in EUR(*)(3)	**62.11**	**54.57**	**50.39**
Adjusted NAV per share in EUR(*)(3)	**59.47**	**52.00**	**44.90**

(*) Figures unaudited.
(1) Adjusted for effects from cross currency swaps.
(2) The figures stated as at December 31, 2019 have been adjusted in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2020 compared to the same line item of results stated in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2019. For more information, see Note 2 (*Adjustment to Prior-year Figures*) in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2020.
(3) Based on the following amounts of shares on the reporting date: December 31, 2020: 565,887,299; December 31, 2019: 542,273,611; and December 31, 2018: 518,077,934.

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

At the end of 2020, the EPRA NAV came to EUR 35,146.5 million, up by 18.8% on the value of EUR 29,592.5 million seen at the end of 2019. EPRA NAV per share increased from EUR 54.57 at the end of 2019 to EUR 62.11 at the end of 2020. The Adjusted NAV of EUR 33,651.8 million at the end of 2020 was an increase of 19.3% over EUR 28,199.6 million at the end of 2019. This represents an increase of 14.4% in the Adjusted NAV per share from EUR 52.00 at the end of 2019 to EUR 59.47 at the end of 2020.

At the end of 2019, the EPRA NAV came to EUR 29,592.5 million, up by 13.4% on the value of EUR 26,105.0 million seen at the end of 2018. EPRA NAV per share increased from EUR 50.39 at the end of 2018 to EUR 54.57 at the end of 2019. The Adjusted NAV of EUR 28,199.6 million at the end of 2019 was an increase of 21.2% over EUR 23,262.6 million at the end of 2018. This represents an increase of 15.8% in the Adjusted NAV per share from EUR 44.90 at the end of 2018 to EUR 52.00 at the end of 2019.

The introduction of the new management system replaced the Adjusted NAV with EPRA NTA and the Adjusted NAV per share with EPRA NTA per share, in each case with effect as of the fiscal year 2021. The table below sets forth the calculation of the EPRA NTA as at December 31, 2020, 2019 and 2018 as well as September 30, 2021:

	December 31,			September 30,
	2020	2019(1)	2018(2)	2021
	(audited, unless otherwise indicated)			*(unaudited)*
	(EUR in millions)			
Total equity attributable to Vonovia shareholders	**23,143.9**	**19,308.3**	**–**	**26,493.2**
Deferred tax in relation to Fair Value gains of investment properties(*)(3)	10,466.7	8,881.2	–	15,111.2
Fair Value of financial instruments(*)(4)	54.9	(4.7)	–	51.5
Goodwill as per the IFRS balance sheet	(1,494.7)	(1,392.9)(5)	–	(6,739.1)

	December 31,			September 30,
	2020	2019(1)	2018(2)	2021
	(audited, unless otherwise indicated)			*(unaudited)*
	(EUR in millions)			
Intangibles as per the IFRS balance sheet(*)	(117.0)	(111.3)	–	(145.9)
Real estate transfer tax(*)(3)	3,434.8	3,081.6	–	5,647.0
EPRA NTA(*)	**35,488.6**	**29,762.2**	**–**	**40,417.9**
EPRA NTA per share in EUR(*)(6)	**62.71**	**54.88**	**–**	**70.26**

(*) Figures unaudited.
(1) EPRA NTA was not reported as an APM as at the specified reporting date and has been retroactively calculated for comparison purposes.
(2) EPRA NTA was not reported as an APM as at the specified reporting date.
(3) Proportion of core- or hold-portfolio.
(4) Adjusted for effects from cross currency swaps.
(5) The figures stated as at December 31, 2019 have been adjusted in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2020 compared to the same line item of results stated in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2019. For more information, see Note 2 (*Adjustment to Prior-year Figures*) in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2020.
(6) Based on the following amounts of shares on the reporting date: December 31, 2020: 565,887,299; December 31, 2019: 542,273,611; December 31, 2018: 518,077,934; and September 30, 2021: 575,257,327.

At the end of 2020, the EPRA NTA came to EUR 35,488.6 million, up 19.2% on the value of EUR 29,762.2 million seen at the end of 2019. EPRA NTA per share increased from EUR 54.88 at the end of 2019 to EUR 62.71 at the end of 2020.

As at September 30, 2021, EPRA NTA increased by EUR 4,929.3 million, or 13.9%, from EUR 35,488.6 million as of December 31, 2020 to EUR 40,417.9 million as of September 30, 2021. EPRA NTA developed in line with the increase of equity. EPRA NTA per share increased from EUR 62.71 at the end of 2020 to EUR 70.26 as at September 30, 2021.

8.3.4 LTV Ratio

The table below sets forth the calculation of the LTV Ratio as at December 31, 2020, 2019 and 2018 as well as September 30, 2021:

	December 31,			September 30,
	2020	2019	2018	2021
	(unaudited, unless otherwise indicated)			*(unaudited)*
	(EUR in millions)			
Non-derivative financial liabilities	24,084.7(*)	23,574.9(*)	20,136.0(*)	46,179.9
Foreign exchange rate effects	(18.9)	(37.8)	(33.5)	(31.6)
Cash and cash equivalents	(613.3)(*)	(500.7)(*)	(547.7)(*)	(3,173.2)
Net debt	**23,452.5**	**23,036.4**	**19,554.8**	**42,975.1**
Sales receivables	(122.3)	21.4	(256.7)	(60.1)
Adjusted net debt	**23,330.2**	**23,057.8**	**19,298.1**	**42,915.0**
Fair Value of the real estate portfolio(*)	**58,910.7**	**53,316.4**	**44,239.9**	**95,378.7**
Loans to companies holding immovable property and land	–	–	–	950.4

	December 31,			September 30,
	2020	2019	2018	2021
	(unaudited, unless otherwise indicated)			*(unaudited)*
	(EUR in millions)			
Shares in other real estate companies	324.8	149.5	800.3	700.4
Adjusted Fair Value of the real estate portfolio	**59,235.5**	**53,465.9**	**45,040.2**	**97,029.5**
LTV Ratio (%)	**39.4%**	**43.1%**	**42.8%**	**44.2%**

(*) Figures audited.

8.4 Results of Operations – Consolidated Income Statement

The table below sets forth the Group's consolidated income statement for the fiscal years ended December 31, 2020, 2019 and 2018 as well as for the nine-month period ended September 30, 2021 and 2020:

	Fiscal year ended December 31,			Nine-month period ended September 30,	
	2020	2019	2018	2021	2020
	(audited)			*(unaudited)*	
	(EUR in millions)				
Income from property letting	3,069.4	2,840.8	2,647.9	2,359.8	2,287.3
Other income from property management	77.7	69.9	60.3	57.0	53.3
Income from property management	**3,147.1**	**2,910.7**	**2,708.2**	**2,416.8**	**2,340.6**
Income from disposal of properties	586.3	510.7	1,097.5	471.7	451.2
Carrying amount of properties sold	(482.4)	(441.6)	(933.7)	(403.4)	(366.3)
Revaluation of assets held for sale	78.2	59.7	68.5	21.8	42.7
Profit on disposal of properties	**182.1**	**128.8**	**232.3**	**90.1**	**127.6**
Income from the disposal of properties (Development)	297.7	249.5	225.1	328.8	181.6
Cost of sold properties	(235.9)	(197.3)	(181.8)	(270.3)	(145.0)
Profit on the disposal of properties (Development)	**61.8**	**52.2**	**43.3**	**58.5**	**36.6**
Net income from fair value adjustments of investment properties	3,719.8	4,131.5	3,517.9	5,073.0	1,830.2
Capitalized internal expenses	659.4	687.2	608.2	483.5	468.6
Cost of materials	(1,493.4)	(1,463.0)	(1,381.0)	(1,099.8)	(1,072.3)
Personnel expenses	(594.9)	(535.7)	(513.1)	(446.8)	(432.7)
Depreciation and amortization	(92.3)	(2,175.8)	(737.9)	(255.8)	(66.4)
Other operating income	163.0	105.7	132.2	186.6	109.8
Impairment losses on financial assets	(40.0)	(28.6)	(21.6)	(15.2)	(22.7)
Gains resulting from the derecognition of financial assets measured at amortized cost[*]	0.0	5.2	1.0	(1.5)	0.8
Other operating expenses	(278.8)	(295.3)	(300.0)	(272.1)	(187.7)
Net income from investments accounted for using the equity method	2.7	0.6	1.8	1.2	0.5
Interest income	21.9	8.9	5.8[1]	4.9	17.5

	Fiscal year ended December 31,			Nine-month period ended September 30,	
	2020	**2019**	**2018**	**2021**	**2020**
	(audited)			*(unaudited)*	
	(EUR in millions)				
Interest expenses	(411.4)	(417.5)	(420.8)[(1)]	(280.5)	(310.2)
Other financial result	(32.6)	24.0	(2.0)[(1)]	(109.7)	(8.5)
Earnings before tax	**5,014.4**	**3,138.9**	**3,874.3**	**5,833.2**	**2,831.7**
Income taxes	(1,674.4)	(1,844.6)	(1,471.5)	(1,964.1)	(940.1)
Profit for the period	**3,340.0**	**1,294.3**	**2,402.8**	**3,869.1**	**1,891.6**
Attributable to:					
Vonovia's shareholders	3,228.5	1,147.0	2,266.5	3,782.9	1,818.1
Vonovia's hybrid capital investors	40.0	40.0	40.0	22.4	22.4
Non-controlling interests	71.5	107.3	96.3	63.8	51.1
Earnings per share (basic and diluted) in EUR	**5.87**	**2.15**	**4.48**	**6.63**	**3.33**

(*) Referred to as "Net income from the derecognition of financial assets measured at amortized cost" in the Unaudited Condensed Interim Consolidated Financial Statements.

(1) The figures stated as at December 31, 2018 have been adjusted in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2019 compared to the same line item of results stated in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2018. For more information, see Note 2 (*Adjustment to Prior-year Figures*) in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2019.

8.4.1 Income from property management

Income from property management includes income from the rental of investment properties and assets held for sale, which is recognized, net of discounts, over the duration of the contracts when the remuneration is contractually fixed or can be reliably determined and collection of the related receivable is probable.

In Vonovia's financial statements, the corresponding income for all the services for ancillary costs performed by the end of the year is also recognized in the year in which the service is performed. This amount is recognized on a non-netted basis using the principal method, in particular due to Vonovia's business model, which provides for a large proportion of services relevant to ancillary costs being performed by Vonovia itself as Vonovia is considered by the tenant to be the primary party responsible for providing the service. For all services that it does not perform itself, Vonovia also bears an inventory risk due to the settlement method (based on rentable area), as is standard practice in the real estate sector.

The following table provides a breakdown of the Group's income from property management for the periods indicated:

	Fiscal year ended December 31,			Nine-month period ended September 30,	
	2020	**2019**	**2018**	**2021**	**2020**
	(audited)			*(unaudited)*	
	(EUR in millions)				
Rental income	2,288.5	2,077.9	1,897.8	1,764.7	1,708.8
Ancillary costs	780.9	762.9	750.1	595.1	578.5

	Fiscal year ended December 31,			Nine-month period ended September 30,	
	2020	2019	2018	2021	2020
	(audited)			*(unaudited)*	
	(EUR in millions)				
Income from property letting	**3,069.4**	**2,840.8**	**2,647.9**	**2,359.8**	**2,287.3**
Other income from property management	77.7	69.9	60.3	57.0	53.3
Income from property management	**3,147.1**	**2,910.7**	**2,708.2**	**2,416.8**	**2,340.6**

8.4.1.1 Nine-month period ended September 30, 2021 compared to the nine-month period ended September 30, 2020

Income from property management increased by EUR 76.2 million, or 3.3%, from EUR 2,340.6 million for the nine-month period ended September 30, 2020 to EUR 2,416.8 million for the nine-month period ended September 30, 2021. The increase was primarily due to organic growth resulting from new construction and modernization measures.

The rental income increased by 3.3% from EUR 1,708.8 million for the nine-month period ended September 30, 2020 to EUR 1,764.7 million for the nine-month period ended September 30, 2021. The increase was primarily due to organic growth resulting from new construction and modernization measures.

The ancillary costs increased by 2.9% from EUR 578.5 million for the nine-month period ended September 30, 2020 to EUR 595.1 million for the nine-month period ended September 30, 2021.

The other income from property management increased by 6.9% from EUR 53.3 million for the nine-month period ended September 30, 2020 to EUR 57.0 million for the nine-month period ended September 30, 2021. The increase was primarily due to the expansion of the Value-add segment (in particular in connection with cable tv and energy services) in Germany.

8.4.1.2 Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019

Income from property management increased by EUR 236.4 million, or 8.1%, from EUR 2,910.7 million for the fiscal year ended December 31, 2019 to EUR 3,147.1 million for the fiscal year ended December 31, 2020. The increase was primarily due to the increase in rental revenue due to the acquisition of Hembla and to organic growth thanks to new construction and modernization.

In the fiscal year 2019, Hembla was only included in the business figures with the earnings contributions for November and December. Hembla contributed EUR 186.8 million to income from property management in 2020 (2019: EUR 30.4 million).

The rental income increased by 10.1% from EUR 2,077.9 million in 2019 to EUR 2,288.5 million in 2020. Hembla contributed EUR 182.9 million to the rental income in 2020 (2019: EUR 29.6 million).

The rental income from the Hembla portfolio reflects inclusive rents, meaning that the amounts contain operating, heating and water supply costs.

The ancillary costs increased by 2.4% from EUR 762.9 million in 2019 to EUR 780.9 million in 2020.

The other income from property management increased by 11.2% from EUR 69.9 million in 2019 to EUR 77.7 million in 2020 due to the takeover of Hembla and the expansion of the Value-add segment (cable TV and energy services) in Germany.

8.4.1.3 Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018

Income from property management increased by EUR 202.5 million, or 7.5%, from EUR 2,708.2 million for the fiscal year ended December 31, 2018 to EUR 2,910.7 million for the fiscal year ended December 31, 2019. The increase was primarily due to the increase in rental revenue due to the acquisition of BUWOG and Victoria Park and to organic growth thanks to new construction and modernization.

In a year-on-year comparison, it should be noted that the 2018 business figures include BUWOG with a profit contribution for the months April to December and Victoria Park with a profit contribution for the months July to December. The 2019 business figures include BUWOG and Victoria Park with their annual contributions and Hembla with its November / December 2019 earnings contribution. BUWOG contributed EUR 296.4 million to income from property management in 2019 (2018: EUR 242.1 million). Victoria Park contributed EUR 137.7 million to income from property management in 2019 (2018: EUR 59.5 million).

The rental income increased by 9.5% from EUR 1,897.8 million in 2018 to EUR 2,077.9 million in 2019, including rental income attributable to BUWOG in the amount of EUR 200.6 million in 2019 compared to EUR 155.5 million in 2018 and rental income attributable to Victoria Park in the amount of EUR 135.7 million in 2019 compared to EUR 58.4 million in 2018.

The rental income from the Austrian BUWOG property portfolio additionally includes maintenance and improvement contributions. The rental income from the Victoria Park and the Hembla portfolio reflects inclusive rents, meaning that the amounts contain operating, heating and water supply costs.

The ancillary costs increased by 1.7% from EUR 750.1 million in 2018 to EUR 762.9 million in 2019.

The other income from property management increased by 15.9% from EUR 60.3 million in 2018 to EUR 69.9 million in 2019.

8.4.2 Profit on disposal of properties

Income from real estate sales is recognized as soon as the material risks and rewards of ownership have been transferred to the buyer and Vonovia has no substantial further obligations. As far as any remaining obligations are concerned, a provision is recognized for the probable risk.

The following table provides a breakdown of the Group's profit on disposal of properties for the periods indicated:

	Fiscal year ended December 31,			**Nine-month period ended September 30,**	
	2020	**2019**	**2018**	**2021**	**2020**
	(audited)			*(unaudited)*	
	(EUR in millions)				
Income from the disposal of investment properties	321.3	227.1	761.4	206.7	256.2
Carrying amount of investment properties sold	(217.4)	(158.0)	(597.6)	(138.4)	(171.3)

	Fiscal year ended December 31,			Nine-month period ended September 30,	
	2020	**2019**	**2018**	**2021**	**2020**
	(audited)			*(unaudited)*	
	(EUR in millions)				
Profit on the disposal of investment properties	**103.9**	**69.1**	**163.8**	**68.3**	**84.9**
Income from sale of assets held for sale	265.0	283.6	336.1	265.0	195.0
Retirement carrying amount of assets held for sale	(265.0)	(283.6)	(336.1)	(265.0)	(195.0)
Revaluation of assets held for sale	78.2	59.7	68.5	21.8	42.7
Profit on the disposal of assets held for sale	**78.2**	**59.7**	**68.5**	**21.8**	**42.7**
Profit on disposal of properties	**182.1**	**128.8**	**232.3**	**90.1**	**127.6**

8.4.2.1 Nine-month period ended September 30, 2021 compared to the nine-month period ended September 30, 2020

Profit on disposal of properties decreased by EUR 37.5 million, or 29.4%, from EUR 127.6 million for the nine-month period ended September 30, 2020 to EUR 90.1 million for the nine-month period ended September 30, 2021. The decrease was primarily due to a lower profit on the disposal of assets held for sale.

The fair value adjustment of assets held for sale, for which a purchase agreement had been signed but no transfer of ownership had yet taken place, led to a positive result of EUR 21.8 million as of September 30, 2021 (September 30, 2020: EUR 42.7 million).

8.4.2.2 Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019

Profit on disposal of properties increased by EUR 53.3 million, or 41.4%, from EUR 128.8 million for the fiscal year ended December 31, 2019 to EUR 182.1 million for the fiscal year ended December 31, 2020. The increase was primarily due to the development of the sale of investment properties and higher sales prices. The income from the disposal of properties in the Recurring Sales segment rose by 4.7% compared to the previous fiscal year. The profit on the disposal of investment properties rose from EUR 69.1 million in 2019 by 50.4% to EUR 103.9 million in 2020 also due to higher sales prices and income from the disposal of properties. The Fair Value adjustment of residential properties held for sale, for which a purchase contract had been signed but for which transfer of title had not yet taken place, led to a gain of EUR 78.2 million in 2020 (2019: EUR 59.7 million).

8.4.2.3 Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018

Profit on disposal of properties decreased by EUR 103.5 million, or 44.6%, from EUR 232.3 million for the fiscal year ended December 31, 2018 to EUR 128.8 million for the fiscal year ended December 31, 2019. The decrease was primarily due to the development of the sale of investment properties. The profit on the disposal of investment properties decreased from EUR 163.8 million in 2018 by 57.8% to EUR 69.1 million in 2019, primarily due to the exceptionally high number of special sales of properties from the "Non-core Disposals" portfolio in 2018 (number of units sold in 2019: 2,177; number of units sold in 2018: 12,284). Additionally, the fair value step-up for “Non-Core Disposals” was lower in 2019 compared to the 2018 fiscal year (fair value step-up in 2019: 15.8%; fair value step-up in 2018: 23.0%).

The Fair Value adjustment of residential properties held for sale, for which a purchase contract had been signed but for which transfer of title had not yet taken place, led to a gain of EUR 59.7 million in 2019 (2018: EUR 68.5 million).

8.4.3 Profit on the disposal of properties (development)

Income from the disposal of properties (Development) is realized either over time or at a specific point in time as soon as the customer obtains control over the asset in question. If, upon conclusion of the certified purchase agreement, control within the meaning of IFRS 15.35(c) passes to the customer before or during the construction phase, the revenue is to be recognized as of this point in time based on the degree of completion of the construction project. Disclosure of the contract assets that fall within the scope of IFRS 15 occurs on a net basis with the corresponding advance payments received under trade receivables.

Contractual balances with an expected term of less than one year are not adjusted to reflect the time value of money. No separate agreements are reached, in the contracts on the sale of apartments as part of the development business, on extraordinary rights of return or rescission, meaning that such rights are based on the relevant legal provisions. The same applies to warranty commitments, which are not to be treated as a separate contractual component within the meaning of IFRS 15 as a result. Existing warranty claims are always accounted for in line with the provisions of IAS 37.

In accordance with IFRS 15.94, costs for the initiation of the contracts with customers are recognized as an expense as soon as they are incurred, as the depreciation period generally would not amount to more than a year. The costs relate primarily to brokerage commission.

In cases involving revenue recognition over time, the percentage of completion/progress made has to be assessed. Vonovia uses the cost-to-cost method, as an input-based procedure, for this purpose. The progress made is determined based on the ratio of the capitalized contract costs incurred up until the reporting date to the estimated total contract costs that can be capitalized.

8.4.3.1 Nine-month period ended September 30, 2021 compared to the nine-month period ended September 30, 2020

Income from the disposal of properties (Development) increased by EUR 147.2 million, or 81.1%, from EUR 181.6 million for the nine-month period ended September 30, 2020 to EUR 328.8 million for the nine-month period ended September 30, 2021. This increase largely results from an increase in units completed during the reporting period (nine-month period ended September 30, 2021: 580 units; nine-month period ended September 30, 2020: 381 units). The income from the disposal of properties (Development) consists of EUR 300.1 million in period-related income from the disposal of properties together with EUR 28.7 million in time-related income from the disposal of properties.

Profit on the disposal of properties (Development) increased by EUR 21.9 million, or 59.8%, from EUR 36.6 million for the nine-month period ended September 30, 2020 to EUR 58.5 million for the nine-month period ended September 30, 2021. The increase was primarily due to the increase in income from the disposal of properties (Development).

8.4.3.2 Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019

Profit on the disposal of properties (Development) increased by EUR 9.6 million, or 18.4%, from EUR 52.2 million for the fiscal year ended December 31, 2019 to EUR 61.8 million for the fiscal year ended December 31, 2020. The increase was primarily due to a higher profit on disposals of properties (Development) in Germany. The profit on disposals of properties (Development) in Germany increased by EUR 15.5 million, or 61.8%, from EUR 25.1 million for the fiscal year ended December 31, 2019 to EUR 40.6 million for the fiscal year ended December 31, 2020 due to the expansion of the Development segment in Germany.

8.4.3.3 *Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018*

Profit on the disposal of properties (Development) increased by EUR 8.9 million, or 20.6%, from EUR 43.3 million for the fiscal year ended December 31, 2018 to EUR 52.2 million for the fiscal year ended December 31, 2019. The increase was primarily due to a higher profit on disposals of properties (Development) in Germany. The profit on disposals of properties (Development) in Germany increased by EUR 5.9 million, or 30.7%, from EUR 19.2 million for the fiscal year ended December 31, 2018 to EUR 25.1 million for the fiscal year ended December 31, 2019 due to the expansion of the Development segment in Germany.

8.4.4 *Net income from fair value adjustments of investment properties*

Investment properties in the German and Austrian portfolios are either measured by the in-house valuation department according to the Fair Value model or by external valuers. Any gains or losses from a change in Fair Value are recognized in the income statement. External valuers are responsible for the valuation of the portfolios in Sweden.

8.4.4.1 *Nine-month period ended September 30, 2021 compared to the nine-month period ended September 30, 2020*

Major market developments and valuation parameters that have an impact on the fair values of Vonovia are assessed on an ongoing basis. The high levels of market momentum recognized once again in the third quarter of 2021 prompted the recognition of further increases in value as at September 30, 2021. This led to net income from the valuation of EUR 5,073.0 million for the nine-month period ended September 30, 2021 (nine-month period ended September 30, 2020: EUR 1,830.2 million). This includes EUR -1.6 million (nine-month period ended September 30, 2020: EUR-2.8 million) for the measurement of right-of-use assets (IFRS 16).

In addition, buildings under construction (new construction/development to hold) were completed during the reporting period and, thus, measured at fair value for the first time. This resulted in a valuation effect of EUR 44.3 million for the nine-month period ended September 30, 2021 (compared to EUR 44.3 million for the nine-month period ended September 30, 2020).

8.4.4.2 *Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019*

The measurement of the investment properties led to a valuation gain during the 2020 fiscal year of EUR 3,719.8 million (2019: EUR 4,131.5 million). This includes expenses in the amount of EUR 1.8 million (compared to expenses in the amount of EUR 2.7 million for the fiscal year 2019) for the measurement of right-of-use assets (IFRS 16).

The figure also includes the valuation result from buildings under construction (new construction/development to hold) that were completed during the reporting period and were moved to the Rental portfolio. A fair value measurement is performed for the first time when the properties are completed. This resulted in a valuation effect of EUR 62.0 million in the 2020 fiscal year (2019: EUR 58.9 million). The valuation result for 2020 is mainly due, in addition to the investment activity and strong development of Vonovia's operating business, to the dynamic market conditions for residential properties at the moment. These are reflected both in rental price developments and, in particular, also in an increase in real estate purchase prices triggered, among other things, by yield compression on the demand side.

8.4.4.3 Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018

Net income from fair value adjustments of investment properties increased by EUR 613.6 million, or 17.4%, from EUR 3,517.9 million for the fiscal year ended December 31, 2018 to EUR 4,131.5 million for the fiscal year ended December 31, 2019. The increase in 2019 was mainly due to the higher investment activity and the strong development of Vonovia's operating business as well as the higher market dynamics for residential real estate in 2019.

8.4.5 Capitalized internal expenses

Capitalized internal expenses mainly relate to the expenses of the Group’s own craftsmen’s organization contained in the capitalized modernization costs as well as the management costs for major modernization projects.

8.4.5.1 Nine-month period ended September 30, 2021 compared to the nine-month period ended September 30, 2020

Capitalized internal expenses increased by EUR 14.9 million, or 3.2%, from EUR 468.6 million for the nine-month period ended September 30, 2020 to EUR 483.5 million for the nine-month period ended September 30, 2021. The increase was primarily due to a Covid-19 pandemic-related lower level of capitalized internal expenses in the nine-month period ended September 30, 2020 (construction delays).

8.4.5.2 Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019

Capitalized internal expenses decreased by EUR 27.8 million, or 4.0%, from EUR 687.2 million for the fiscal year ended December 31, 2019 to EUR 659.4 million for the fiscal year ended December 31, 2020. The decrease was mainly due to the Covid-19 pandemic. Isolated modernization and new construction measures were affected by construction delays.

8.4.5.3 Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018

Capitalized internal expenses increased by EUR 79.0 million, or 13.0%, from EUR 608.2 million for the fiscal year ended December 31, 2018 to EUR 687.2 million for the fiscal year ended December 31, 2019. The increase was primarily due to the expansion of the portfolio in Germany as a result of the BUWOG acquisition.

8.4.6 Cost of materials

The cost of materials includes expenses for ancillary costs and expenses for maintenance and modernization and other expenses for purchased goods and services. The expenses for ancillary costs include the costs of utility services and other property-related expenses charged to the Group by third party suppliers. The expenses for ancillary costs are almost completely passed on to the tenants, with the proceeds as ancillary costs are recorded. The expenses for maintenance include the costs of repairs, which are recorded as expenses. The expenses for maintenance do not include personnel and administrative costs for the Company's own services craftsmen’s organization. Other expenses for purchased goods and services include brokerage commissions, ground rent, administrative expenses for condominium management, clearance costs and other expenses.

The following table provides a breakdown of the Group's cost of materials for the periods indicated:

	Fiscal year ended December 31,			Nine-month period ended September 30,	
	2020	2019	2018	2021	2020
		(audited)		*(unaudited)*	
			(EUR in millions)		
Expenses for ancillary costs	780.5	729.2	702.9	580.6	571.4
Expenses for maintenance and modernization	586.4	628.9	572.3	429.9	420.7
Other cost of purchased goods and services	126.5	104.9	105.8	89.3	80.2
Cost of materials	**1,493.4**	**1,463.0**	**1,381.0**	**1,099.8**	**1,072.3**

8.4.6.1 Nine-month period ended September 30, 2021 compared to the nine-month period ended September 30, 2020

Cost of materials increased by EUR 27.5 million, or 2.6%, from EUR 1,072.3 million for the nine-month period ended September 30, 2020 to EUR 1,099.8 million for the nine-month period ended September 30, 2021.

Expenses for ancillary costs increased by 1.6% from EUR 571.4 million for the nine-month period ended September 30, 2020 to EUR 580.6 million for the nine-month period ended September 30, 2021.

Expenses for maintenance and modernization increased by 2.2% from EUR 420.7 million for the nine-month period ended September 30, 2020 to EUR 429.9 million for the nine-month period ended September 30, 2021.

Other cost of purchased goods and services increased by 11.3% from EUR 80.2 million for the nine-month period ended September 30, 2020 to EUR 89.3 million for the nine-month period ended September 30, 2021.

8.4.6.2 Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019

Cost of materials increased by EUR 30.4 million, or 2.1%, from EUR 1,463.0 million for the fiscal year ended December 31, 2019 to EUR 1,493.4 million for the fiscal year ended December 31, 2020. The increase was primarily due to the Hembla acquisition.

Expenses for ancillary costs increased by 7.0% from EUR 729.2 million in the fiscal year ended December 31, 2019 to EUR 780.5 million in the fiscal year ended December 31, 2020. The increase was primarily due to the Hembla acquisition.

Expenses for maintenance and modernization decreased by EUR 42.5 million, or 6.8%, from EUR 628.9 million for the fiscal year ended December 31, 2019 to EUR 586.4 million for the fiscal year ended December 31, 2020. The decrease was mainly due to the Covid-19 pandemic. Isolated modernization and new construction measures were affected by construction delays.

Other cost of purchased goods and services increased by EUR 21.6 million, or 20.6%, from EUR 104.9 million for the fiscal year ended December 31, 2019 to EUR 126.5 million for the fiscal year ended December 31, 2020. The increase was mainly driven by acquisition-based enlargement of the development business related to Bien-Ries AG in the amount of EUR 9.2 million, increased sales provisions in the amount of EUR 3.6 million and increased expenses for energy purchases in the amount of EUR 2.5 million.

8.4.6.3 Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018

Cost of materials increased by EUR 82.0 million, or 5.9%, from EUR 1,381.0 million for the fiscal year ended December 31, 2018 to EUR 1,463.0 million for the fiscal year ended December 31, 2019. The increase was primarily due to the acquisitions of BUWOG and Victoria Park.

For the same reason, expenses for ancillary costs increased by 3.7% from EUR 702.9 million in the fiscal year ended December 31, 2018 to EUR 729.2 million in the fiscal year ended December 31, 2019.

Expenses for maintenance and modernization increased by EUR 56.6 million, or 9.9%, from EUR 572.3 million for the fiscal year ended December 31, 2018 to EUR 628.9 million for the fiscal year ended December 31, 2019. With a total effect of EUR 48.8 million, the increase was primarily affected due to the BUWOG acquisition.

Other cost of purchased goods and services decreased by EUR 0.9 million, or 0.9%, from EUR 105.8 million for the fiscal year ended December 31, 2018 to EUR 104.9 million for the fiscal year ended December 31, 2019.

8.4.7 Personnel expenses

Personnel expenses include wages and salaries as well as social security, pensions and other employee benefits. The personnel expenses include expenses for retirement benefits and benefits for the statutory payments into the pension insurance, expenses for long-term incentive plans, Part-time retirement arrangements and other severance payments.

The following table provides a breakdown of the Group's personnel expenses for the periods indicated:

	Fiscal year ended December 31,			**Nine-month period ended September 30,**	
	2020	**2019**	**2018**	**2021**	**2020**
	(audited)			*(unaudited)*	
	(EUR in millions)				
Wages and salaries	488.0	436.7	423.3	362.3	352.4
Social security, pensions and other employee benefits	106.9	99.0	89.8	84.5	80.3
Personnel expenses	**594.9**	**535.7**	**513.1**	**446.8**	**432.7**

8.4.7.1 Nine-month period ended September 30, 2021 compared to the nine-month period ended September 30, 2020

Personnel expenses increased by EUR 14.1 million, or 3.3%, from EUR 432.7 million for the nine-month period ended September 30, 2020 to EUR 446.8 million for the nine-month period ended September 30, 2021.

Wages and salaries increased by EUR 9.9 million, or 2.8%, from EUR 352.4 million for the nine-month period ended September 30, 2020 to EUR 362.3 million for the nine-month period ended September 30, 2021.

Social security, pensions and other employee benefits increased by EUR 4.2 million, or 5.2%, from EUR 80.3 million for the nine-month period ended September 30, 2020 to EUR 84.5 million for the nine-month period ended September 30, 2021.

8.4.7.2 Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019

Personnel expenses increased by EUR 59.2 million, or 11.1%, from EUR 535.7 million for the fiscal year ended December 31, 2019 to EUR 594.9 million for the fiscal year ended December 31, 2020. The increase was primarily due to an increase in the number of employees through the Hembla takeover of 284 employees in November 2019.

Consequently, wages and salaries increased by EUR 51.3 million, or 11.7%, from EUR 436.7 million for the fiscal year ended December 31, 2019 to EUR 488.0 million for the fiscal year ended December 31, 2020.

Social security, pensions and other employee benefits increased by EUR 7.9 million, or 8.0%, from EUR 99.0 million for the fiscal year ended December 31, 2019 to EUR 106.9 million for the fiscal year ended December 31, 2020. This was primary due to an increase in the number of employees resulting from the Hembla takeover.

8.4.7.3 Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018

Personnel expenses increased by EUR 22.6 million, or 4.4%, from EUR 513.1 million for the fiscal year ended December 31, 2018 to EUR 535.7 million for the fiscal year ended December 31, 2019. The increase was primarily due to an increase in the number of employees through the BUWOG takeover of 882 employees as of March 31, 2018 and Victoria Park takeover of 186 employees as of June 30, 2018.

Wages and salaries increased by EUR 13.4 million, or 3.2%, from EUR 423.3 million for the fiscal year ended December 31, 2018 to EUR 436.7 million for the fiscal year ended December 31, 2019.

Social security, pensions and other employee benefits increased by EUR 9.2 million, or 10.2%, from EUR 89.8 million for the fiscal year ended December 31, 2018 to EUR 99.0 million for the fiscal year ended December 31, 2019.

8.4.8 Other operating income

Other operating income includes compensation paid by insurance companies, reversal of provisions, compensation for damages and cost reimbursements, dunning and debt collection fees, reversal of impairment losses and miscellaneous. On the basis of the accounting principles applied by the Company, the releases of provisions are reported at the gross amount. Thus, if one provision were replaced by another, the full amount of the original provision would be reported as released and the full amount of the new provision would be reported in the relevant period. The increases in other operating income reported by the Group for the individual periods due to the release of provisions are therefore largely offset by increases in other operating expenses as a result of new provisions to replace the items that have been released, see "*8.4.10 Other operating expenses*".

The following table contains a breakdown of the Group's other operating income for the periods indicated:

	Fiscal year ended December 31,			Nine-month period ended September 30,	
	2020	2019	2018	2021	2020
	(audited)			*(unaudited[(1)])*	
	(EUR in millions)				
Compensation paid by insurance companies	54.1	46.3	49.5	41.1	39.8
Reversal of provisions	33.4	16.9	27.6	14.0	16.3
Compensation for damages and cost reimbursements	15.6	12.1	10.7	11.1	10.2
Dunning and debt collection fees	5.9	6.2	7.4	3.2	3.3
Reversal of impairment losses	4.3	1.8	3.7	2.1	2.3
Miscellaneous	49.7	22.4	33.3	115.1	37.9
Other operating income	**163.0**	**105.7**	**132.2**	**186.6[(2)]**	**109.8[(2)]**

(1) Taken from or derived from the accounting documents or internal reporting of the Company.
(2) Taken from the Unaudited Condensed Interim Consolidated Financial Statements.

8.4.8.1 Nine-month period ended September 30, 2021 compared to the nine-month period ended September 30, 2020

Other operating income increased by EUR 76.8 million, or 70.0%, from EUR 109.8 million for the nine-month period ended September 30, 2020 to EUR 186.6 million for the nine-month period ended September 30, 2021. Other operating income includes the revaluation of the investment in Deutsche Wohnen in the amount of EUR 87.5 million. As of July 21, 2021, the shares of Deutsche Wohnen were included at equity as an associated company and were fully consolidated as of September 30, 2021. The income results from the recognition of the investment at present value, which was made in the course of the transition of the inclusion of at-equity to full consolidation. It thus reflects the difference between the adjusted value using the equity method and fair value on the acquisition date.

8.4.8.2 Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019

Other operating income increased by EUR 57.3 million, or 54.2%, from EUR 105.7 million for the fiscal year ended December 31, 2019 to EUR 163.0 million for the fiscal year ended December 31, 2020. The increase was primarily due to a larger volume of reversal of provisions, compensation paid by insurance companies and miscellaneous. In 2020, income of EUR 18.1 million was recognized as miscellaneous following the reassessment of a compensation entitlement for non-controlling interests.

8.4.8.3 Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018

Other operating income decreased by EUR 26.5 million, or 20.0%, from EUR 132.2 million for the fiscal year ended December 31, 2018 to EUR 105.7 million for the fiscal year ended December 31, 2019. The decrease was primarily due to a smaller volume of reversal of provisions, compensation paid by insurance companies and miscellaneous.

8.4.9 Impairment losses on financial assets

8.4.9.1 Nine-month period ended September 30, 2021 compared to the nine-month period ended September 30, 2020

Impairment losses on financial assets decreased by EUR 7.5 million, or 33.0%, from EUR 22.7 million for the nine-month period ended September 30, 2020 to EUR 15.2 million for the nine-month period ended September 30, 2021. The decrease was primarily due to a significantly higher income from the reversal of value adjustments on receivables from rentals.

8.4.9.2 Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019

Impairment losses on financial assets increased by EUR 11.4 million, or 39.9%, from EUR 28.6 million for the fiscal year ended December 31, 2019 to EUR 40.0 million for the fiscal year ended December 31, 2020. The increase was primarily due to a larger volume of impairment losses on receivables from property letting essentially due to the Covid-19 pandemic and a larger portfolio due to the purchase.

8.4.9.3 Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018

Impairment losses on financial assets increased by EUR 7.0 million, or 32.4%, from EUR 21.6 million for the fiscal year ended December 31, 2018 to EUR 28.6 million for the fiscal year ended December 31, 2019. The increase was primarily due to a larger volume of impairment losses on receivables from property letting essentially due to a larger portfolio due to the purchase.

8.4.10 Other operating expenses

Other operating expenses include consulting costs and examination fees, vehicle and travel expenses, value adjustments, rents, leases and ground rent, court and notary fees, additions to provisions and other operating expenses, in which the following items of other operating expenses are summarized: IT and Administrative services, communication costs and work equipment, dunning and collection fees, advertising costs, insurance damage, ancillary sales costs and miscellaneous other operating expenses.

The following table provides a breakdown of the Group's other operating expenses for the periods indicated:

	Fiscal year ended December 31,			**Nine-month period ended September 30,**	
	2020	**2019**	**2018**	**2021**	**2020**
	(audited)			*(unaudited[(1)])*	
	(EUR in millions)				
Consultants' and auditors' fees	47.6	64.2	80.1	125.4	31.2
Vehicle and traveling costs	30.5	35.2	42.2	21.9	23.1
Communication costs and work equipment	24.4	21.0	24.7	18.6	17.5
Additions to provisions	21.5	9.6	10.8	4.9	8.2
Rents, leases and ground rents	17.7	16.5	28.8	11.6	14.0
Administrative services	16.9	12.8	10.8	12.8	12.0
Advertising costs	16.6	13.6	10.8	14.9	11.8
Insured losses	12.1	7.0	5.0	6.6	9.2
Non-capitalizable expenses from real estate development	5.2	5.7	3.8	3.7	2.9
Impairment losses	4.3	4.7	1.8	0.8	1.1
Costs of sale associated with real estate inventories	4.1	5.7	3.1	5.4	3.5
Dunning and debt collection fees	3.3	3.9	4.8	2.2	2.3
Legal and notary costs	2.6	2.8	2.3	1.3	2.2
Sales incidentals	1.4	5.6	2.8	1.0	0.9

	Fiscal year ended December 31,			Nine-month period ended September 30,	
	2020	2019	2018	2021	2020
	(audited)			*(unaudited[1])*	
	(EUR in millions)				
Miscellaneous	70.6	87.0	68.2	41.0	47.8
Other operating expenses	**278.8**	**295.3**	**300.0**	**272.1[2]**	**187.7[2]**

(1) Taken from or derived from the accounting documents or internal reporting of the Company.
(2) Taken from the Unaudited Condensed Interim Consolidated Financial Statements.

8.4.10.1 Nine-month period ended September 30, 2021 compared to the nine-month period ended September 30, 2020

Other operating expenses increased by EUR 84.4 million, or 45.0%, from EUR 187.7 million for the nine-month period ended September 30, 2020 to EUR 272.1 million for the nine-month period ended September 30, 2021. The increase was primarily due to raised consultants' and auditors' fees in connection with the Deutsche Wohnen Transaction.

8.4.10.2 Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019

Other operating expenses decreased by EUR 16.5 million, or 5.6%, from EUR 295.3 million for the fiscal year ended December 31, 2019 to EUR 278.8 million for the fiscal year ended December 31, 2020. The decrease was primarily due to a smaller volume of consultants' and auditors' fees, vehicle and traveling costs, sales incidentals and costs of sale associated with real estate inventories.

8.4.10.3 Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018

Other operating expenses decreased by EUR 4.7 million, or 1.6%, from EUR 300.0 million for the fiscal year ended December 31, 2018 to EUR 295.3 million for the fiscal year ended December 31, 2019. The decrease was primarily due to a smaller volume of consultants' and auditors' fees, vehicle and traveling costs and communication costs and work equipment.

8.4.11 Earnings before tax

8.4.11.1 Nine-month period ended September 30, 2021 compared to the nine-month period ended September 30, 2020

Earnings before tax increased by EUR 3,001.5 million from EUR 2,831.7 million for the nine-month period ended September 30, 2020 to EUR 5,833.2 million for the nine-month period ended September 30, 2021. The increase was primarily due to net income from Fair Value adjustments of investment properties that came to EUR 5,073.0 million (EUR 1,830.2 million for the nine-month period ended September 30, 2020).

8.4.11.2 Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019

Earnings before tax increased by EUR 1,875.5 million, or 59.8%, from EUR 3,138.9 million for the fiscal year ended December 31, 2019 to EUR 5,014.4 million for the fiscal year ended December 31, 2020. The increase was primarily due to considerably higher depreciation, amortization and impairment losses in 2019 due to an increase in value of the property portfolio in 2019 as well as new organization of the regional structure in Germany. Net income from Fair Value adjustments of investment properties came to EUR 3,719.8 million in the 2020 fiscal year, down by EUR 411.7 million year-on-year.

8.4.11.3 Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018

Earnings before tax decreased by EUR 735.4 million, or 19.0%, from EUR 3,874.3 million for the fiscal year ended December 31, 2018 to EUR 3,138.9 million for the fiscal year ended December 31, 2019. The decrease was primarily due to goodwill impairment in the amount of EUR 2,103.5 million in 2019 compared to EUR 681.2 million in 2018 due to an increase in value of the property portfolio in 2018. This was counteracted by the net income from Fair Value adjustments of investment properties of EUR 4,131.5 million in 2019 and EUR 3,517.9 million in 2018.

8.4.12 Income taxes

Income taxes for the current and prior fiscal years are recognized as current income tax liabilities to the extent that they have not yet been paid. Deferred tax assets and liabilities are recognized using the liability method under the temporary concept, providing for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets are only recognized for temporary differences and on loss carryforwards to the extent that there are deferred tax liabilities that can be offset against them – regarding deferred tax assets on loss carryforwards taking the minimum taxation into account – or, based on the predictable profits in the foreseeable future, it can be verified that they will be realized. Deferred tax assets and liabilities are not recognized where the temporary difference arises from initial recognition of goodwill in connection with a business combination or the initial recognition (other than a business combination) of other assets and liabilities in a transaction that neither affects taxable income nor net income. The carrying amount of a deferred tax asset is reviewed at each reporting date. If necessary, the carrying amount of the deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profit will be available in the future. Deferred taxes are measured at the tax rates that apply, or are expected to apply, to the period when the tax asset is realized or the liability is settled based on the current legislation in the countries in question. Deferred tax assets and liabilities are netted against each other only if Vonovia has a legally enforceable right to set off the recognized amounts, when the same tax authority is involved and when the realization period is the same. In accordance with the regulations of IAS 12 "Income Taxes", deferred tax assets and liabilities are not discounted.

The following table contains a list of the Group's income taxes for the reporting periods:

	Fiscal year ended December 31,			**Nine-month period ended September 30,**	
	2020	**2019**	**2018**	**2021**	**2020**
	(audited)			*(unaudited)*	
	(EUR in millions)				
Current income tax	57.7	55.2	75.1	60.7	40.3
Prior-year current income tax	(14.6)	1.6	(15.2)	4.5	10.0
Deferred tax – temporary differences	1,607.5	1,861.0	1,436.8	1,891.9	883.6
Deferred tax − unutilized loss carryforwards	23.8	(73.2)	(25.2)	7.0	6.2
Income taxes	**1,674.4**	**1,844.6**	**1,471.5**	**1,964.1**	**940.1**

8.4.12.1 Nine-month period ended September 30, 2021 compared to the nine-month period ended September 30, 2020

Income taxes increased by EUR 1,024.0 million from EUR 940.1 million for the nine-month period ended September 30, 2020 to EUR 1,964.1 million for the nine-month period ended September 30, 2021. The increase corresponds to the rise in net income from Fair Value adjustments of investment properties. The combined tax rate of corporate income tax and trade tax used to calculate domestic deferred taxes for the interim report as of September 30, 2021 was 33,7% (compared to 33,2% as of September 30, 2020).

8.4.12.2 Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019

Income taxes decreased by EUR 170.2 million, or 9.2%, from EUR 1,844.6 million for the fiscal year ended December 31, 2019 to EUR 1,674.4 million for the fiscal year ended December 31, 2020. The decrease was primarily due to the decrease of deferred tax-temporary differences. As in 2019, the combined tax rate of corporate income tax and trade tax of 33.1% was used to calculate domestic deferred taxes for 2020. The corporate income tax rate for the companies based in Austria remains unchanged at 25.0%, while the rate for companies based in Sweden is 20.6%.

8.4.12.3 Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018

Income taxes increased by EUR 373.1 million, or 25.4%, from EUR 1,471.5 million for the fiscal year ended December 31, 2018 to EUR 1,844.6 million for the fiscal year ended December 31, 2019. The increase was primarily due to the increase of deferred tax-temporary differences. As in 2018, the combined tax rate of corporate income tax and trade tax of 33.1% was used to calculate domestic deferred taxes for 2019. The corporate income tax rate for the companies based in Austria remains at 25.0%, while the rate for companies based in Sweden is 20.6%.

8.4.13 Profit for the period

8.4.13.1 Nine-month period ended September 30, 2021 compared to the nine-month period ended September 30, 2020

Profit for the period increased by EUR 1,977.5 million from EUR 1,891.6 million for the nine-month period ended September 30, 2020 to EUR 3,869.1 million for the nine-month period ended September 30, 2021. The increase was primarily due to the net income from Fair Value adjustments of investment properties of EUR 5,073.0 million in the nine-month period ended September 30, 2021 compared to 1,830.2 million in the nine-month period ended September 30, 2020.

8.4.13.2 Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019

Profit for the period increased by EUR 2,045.7 million, or 158.1%, from EUR 1,294.3 million for the fiscal year ended December 31, 2019 to EUR 3,340.0 million for the fiscal year ended December 31, 2020. The increase was primarily due to considerably higher depreciation, amortization and impairment losses in 2019 due to an increase in value of the property portfolio in 2019 as well as new organization of the regional structure in Germany. Net income from Fair Value adjustments of investment properties came to EUR 3,719.8 million in the 2020 fiscal year, down by EUR 411.7 million year-on-year.

8.4.13.3 Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018

Profit for the period decreased by EUR 1,108.5 million, or 46.1%, from EUR 2,402.8 million for the fiscal year ended December 31, 2018 to EUR 1,294.3 million for the fiscal year ended December 31, 2019. The decrease was primarily due to goodwill impairment in the amount of EUR 2,103.5 million in 2019 compared to EUR 681.2 million in 2018 due to an increase in value of the property portfolio in 2018. This was counteracted by the net income from Fair Value adjustments of investment properties of EUR 4,131.5 million in 2019 and EUR 3,517.9 million in 2018.

8.5 Segment Discussion

The table below sets forth the calculation of Adjusted EBITDA Total for the fiscal years ended December 31, 2020, 2019 and 2018 as well as for the nine-month period ended September 30, 2021 and 2020:

	Fiscal year ended December 31,			**Nine-month period ended September 30,**	
	2020	**2019**	**2018**	**2021**	**2020**
	(audited)			*(unaudited)*	
	(EUR in millions)				
Revenue in the Rental segment	2,285.9	2,074.9	1,894.2	1,762.7	1,706.9
Expenses for maintenance	(321.1)	(308.9)	(289.7)	(245.3)	(234.9)
Operating expenses in the Rental segment	(410.6)	(328.6)	(289.4)	(277.4)	(293.3)
Adjusted EBITDA Rental	**1,554.2**	**1,437.4**	**1,315.1**	**1,240.0**	**1,178.7**
Revenue in the Value-add segment	1,104.6	1,154.8(3)	1,037.2(*)	840.1	800.0
thereof external revenue	51.6	50.6(3)	49.3(*)	41.8	37.4
thereof internal revenue	1,053.0	1,104.2(3)	987.9(*)	798.3	762.6
Operating expenses in the Value-add segment	(952.3)	(1,008.5)(3)	(916.0)(*)	(724.5)	(689.9)
Adjusted EBITDA Value-add	**152.3**	**146.3**	**121.2**	**115.6**	**110.1**
Revenue in the Recurring Sales segment	382.4	365.1	356.1	422.2	296.5
Fair Value of properties sold adjusted to reflect effects not relating to the period from assets held for sale in the Recurring Sales segment(*)	(274.0)	(258.4)	(262.8)	(302.7)	(211.6)
Adjusted result Recurring Sales(*)	**108.4**	**106.7**	**93.3**	**119.5**	**84.9**
Selling costs in the Recurring Sales segment	(16.0)	(14.8)	(14.2)	(14.0)	(10.0)
Adjusted EBITDA Recurring Sales	**92.4**	**91.9**	**79.1**	**105.5**	**74.9**
Revenue from disposal of "Development to sell" properties	297.7	249.5	225.1	328.8	181.6
Cost of Development to sell(1)	(235.9)	(197.3)	(181.8)	(270.3)	(145.0)
Gross profit Development to sell	**61.8**	**52.2**	**43.3**	**58.5**	**36.6**
Fair Value Development to hold	298.2	266.3(3)	98.0(*)	162.2	225.8
Cost of Development to hold(2)	(235.4)	(207.4)(3)	(79.3)(*)	(117.9)	(181.5)
Gross profit Development to hold	**62.8**	**58.9**	**18.7**	**44.3**	**44.3**
Rental revenue Development	1.2	1.1(3)	0.1(*)	1.0	0.8

	Fiscal year ended December 31,			Nine-month period ended September 30,	
	2020	2019	2018	2021	2020
	(audited)			(unaudited)	
	(EUR in millions)				
Operating expenses in the Development segment	(14.9)	(27.7)[(3)]	(22.7)[(*)]	(24.0)	(12.9)
Adjusted EBITDA Development	**110.9**	**84.5**	**39.4**	**79.8**	**68.8**
Adjusted EBITDA Total	**1,909.8**	**1,760.1**	**1,554.8**	**1,540.9**	**1,432.5**

(*) Figures unaudited.

(1) Cost of development to sell is referred to as line item "cost of sold properties" in the consolidated income statement of the Audited Consolidated Financial Statements and the Unaudited Condensed Interim Consolidated Financial Statements.

(2) Excluding capitalized interest on borrowed capital in the amounts of EUR 0.8 million, EUR 0.0 million and EUR 0.0 million for the fiscal years ended December 31, 2020, 2019 and 2018 respectively, and EUR 0.9 million and EUR 0.3 million for the nine-month period ended September 30, 2021 and 2020 respectively.

(3) The figures stated as at December 31, 2019 have been adjusted in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2020 compared to the same line item of results stated in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2019. For more information, see Note 2 (*Adjustment to Prior-year Figures*) in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2020.

8.5.1 Rental segment

8.5.1.1 Nine-month period ended September 30, 2021 compared to the nine-month period ended September 30, 2020

As at September 30, 2021, Vonovia's housing stock was still almost fully let. At 2.7%, the vacancy rate of the apartments was slightly above the comparative value of 2.6% at the end of September 2020. In the Rental segment, segment revenues rose by 3.3% from EUR 1,706.9 million for the nine-month period ended September 30, 2020 to EUR 1,762.7 million for the nine-month period ended September 30, 2021, mainly due to organic growth because of new construction and modernization. Of the revenue in the Rental segment for the nine-month period ended September 30, 2021 EUR 1,414.7 million were attributable to rental income in Germany (compared to EUR 1,381.2 million for the nine-month period ended September 30, 2020), EUR 266.6 million to rental income in Sweden (compared to EUR 246.3 million for the nine-month period ended September 30, 2020) and EUR 81.4 million to rental income in Austria (compared to EUR 79.4 million for the nine-month period ended September 30, 2020).

For the nine-month period ended September 30, 2021, the market-related increase in rents amounted to 1.1% (compared to 0.8% for the nine-month period ended September 30, 2020). Because of improvements in residential value as part of Vonovia's modernization program, rent increased by 1.8% in the nine-month period ended September 30, 2021 (compared to 2.2% for the nine-month period ended September 30, 2020). The corresponding like-for-like rent increase amounted to 2.9% (compared to 3.0% for the nine-month period ended September 30, 2020). Taking into account the rent increase from new construction and expansion measures of 0.6% (compared to 0.6% for the nine-month period ended September 30, 2020), this results in an organic increase in rent of 3.5% in total (compared to 3.6% for the nine-month period ended September 30, 2020). As at September 30, 2021, the average monthly in-place rent within the Group came to EUR 7.34 per sqm compared to EUR 7.07 per sqm as at September 30, 2020. In the German portfolio, the monthly in-place rent as at September 30, 2021 amounted to EUR 7.14 per sqm (compared to EUR 6.91 per sqm as at September 30, 2020), in the Swedish portfolio EUR 10.34 per sqm (September 30, 2020: EUR 9.67 per sqm) and in the Austrian portfolio EUR 4.87 per sqm (September 30, 2020: EUR 4.76 per sqm). The rental income of the holdings in Sweden represents inclusive rents. This means that operating and heating costs as well as water supply are included in the rental income.

Contributions in relation to maintenance and improvement are also taken into account in the rental income of the Austrian real estate portfolios.

In the fiscal year 2021, Vonovia continued its modernization, new construction and maintenance strategy. At EUR 1,355.1 million, the total volume of maintenance, modernization and new construction services in the nine-month period ended September 30, 2021 was slightly below the previous year's level of EUR 1,360.0 million. While maintenance measures in the nine-month period ended September 30, 2021 amounted to EUR 453.5 million, 13.6 % above the previous year's figure of EUR 399.1 million, modernizations declined by 17.0% from EUR 659.7 million in the nine-month period ended September 30, 2020 to EUR 547.8 million in the nine-month period ended September 30, 2021. The decline in the volume of modernization is mainly due to the significantly lower investment activity in Berlin due to the rent cap as well as to certain restrictions in the context of the Covid-19 pandemic. Nevertheless, Vonovia considers this somewhat lower investment volume to be sufficient to achieve the goals of the climate path. At EUR 353.8 million, new construction output in the nine-month period ended September 30, 2021 was 17.5% above the comparative value of EUR 301.2 million in the nine-month period ended September 30, 2020. In the nine-month period ended September 30, 2021, operating costs in the Rental segment amounted to EUR 277.4 million, 5.4 % below the comparative figures of EUR 293.3 million. Overall, Adjusted EBITDA Rental rose by 5.2% from EUR 1,178.7 million in the nine-month period ended September 30, 2020 to EUR 1,240.0 million in the nine-month period ended September 30, 2021.

8.5.1.2 Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019

As of the end of 2020, Vonovia's apartments were virtually fully occupied. The apartment vacancy rate of 2.4% was down slightly on the value of 2.6% seen at the end of 2019. Revenue in the Rental segment rose by 10.2% from EUR 2,074.9 million in 2019 to EUR 2,285.9 million in 2020 largely due to the acquisition of Hembla in early November 2019 as well as to organic growth resulting from new construction and modernization. Hembla contributed a volume of EUR 182.9 million to this figure (2019: EUR 29.6 million). Of the rental revenue in the Rental segment, EUR 1,845.4 million is attributable to rental revenue in Germany (2019: EUR 1,801.2 million), EUR 332.5 million to rental revenue in Sweden (2019: EUR 165.4 million) and EUR 108.0 million to rental revenue in Austria (2019: EUR 108.3 million).

The increase in rent due to market-related factors (including the effects resulting from the Berlin Rent Freeze Legislation) came to 0.6% (2019: 1.1%). In addition, Vonovia was able to achieve an increase in rent of 1.9% thanks to property value improvements achieved as part of Vonovia's modernization program (2019: 2.3%). The corresponding like-for-like rent increase came to 2.5% in the reporting period (2019: 3.4%). If the Company includes the increase in rent due to new construction measures and measures to add extra stories, then the Company arrives at an organic increase in rent totaling 3.1% (2019: 3.9%). The average monthly in-place rent within the Group at the end of December 2020 came to EUR 7.16 per sqm compared to EUR 6.93 per sqm at the end of December 2019. At the end of 2020, the monthly in-place rent in the German portfolio came to EUR 6.95 per sqm (December 31, 2019: EUR 6.79), with the figure for the Swedish portfolio coming to EUR 10.31 per sqm (December 31, 2019: EUR 9.46) and EUR 4.79 per sqm for the Austrian portfolio (December 31, 2019: EUR 4.64). 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.

Despite the Covid-19 pandemic, Vonovia was able to continue with its modernization, new construction and maintenance strategy in the 2020 fiscal year. Isolated modernization and new construction measures were affected by construction delays. All in all, the total volume of Vonovia's maintenance, modernization and new construction activity came to EUR 1,935.9 million in 2020, down slightly on the previous year's figure of EUR 1,971.1 million. The amount spent on capitalized maintenance rose considerably from EUR 172.7 million in 2019 to EUR 270.9 million in 2020. This was due, among other things, to investments in improving building security and fire protection, as well as maintenance work carried out as part of modernization projects.

In the 2020 fiscal year, operating expenses in the Rental segment were up by 25.0% on the figures for 2019, from EUR 328.6 million to EUR 410.6 million. This development is due primarily to the larger portfolio resulting from the prior-year acquisition of Hembla in November 2019. All in all, Adjusted EBITDA Rental rose by 8.1%, from EUR 1,437.4 million in 2019 to EUR 1,554.2 million in 2020.

8.5.1.3 *Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018*

As of the end of 2019, Vonovia's apartments were virtually fully occupied. The apartment vacancy rate of 2.6% was up slightly on the value of 2.4% seen at the end of 2018. Rental income in the Rental segment rose by 9.5% from EUR 1,894.2 million in 2018 to EUR 2,074.9 million in 2019, largely due to the acquisitions of BUWOG and Victoria Park in 2018 and Hembla in 2019 and to organic growth resulting from new construction and modernization measures. BUWOG contributed a volume of EUR 200.6 million (April–December 2018: EUR 155.5 million), Victoria Park contributed a volume of EUR 135.7 million (July–December 2018: EUR 58.4 million), and Hembla contributed a volume of EUR 29.6 million. Of the rental income in the Rental segment, EUR 1,801.2 million is attributable to rental income in Germany (2018: EUR 1,751.4 million), EUR 108.3 million to rental income in Austria (2018: EUR 83.1 million) and EUR 165.4 million in Rental income in Sweden (EUR 58.4 million).

The increase in rent due to market-related factors came to 1.1% (2018: 1.3%). Vonovia was also able to achieve an increase in rent of 2.3% thanks to property value improvements achieved as part of Vonovia's modernization program (2018: 2.9%). The corresponding like-for-like rent increase came to 3.4% in the 2019 fiscal year (2018: 4.2%). If the Company also includes the increase in rent due to new construction measures and measures to add extra stories, then the Company arrives at an organic increase in rent totaling 3.9% (2018: 4.4%). The average monthly in-place rent within the Group at the end of December 2019 came to EUR 6.93 per sqm compared to EUR 6.52 per sqm at the end of December 2018. At the end of 2019, the monthly in-place rent in the German portfolio came to EUR 6.79 per sqm (Dec. 31, 2018: EUR 6.55), for the Austrian portfolio of EUR 4.64 per sqm (Dec. 31, 2018: EUR 4.53) and EUR 9.46 per sqm for the Swedish portfolio (Dec. 31, 2018: EUR 9.11). The rental income from the Austrian property portfolio additionally includes maintenance and improvement contributions. The rental income from the portfolio in Sweden reflects inclusive rents, meaning that the amounts contain operating, heating and water supply costs.

Vonovia continued with its modernization, new construction and maintenance strategy in the fiscal year 2019. The total volume rose by 25.5% from EUR 1,569.4 million in 2018 to EUR 1,971.1 million in 2019. This was driven largely by the increase in modernization and new construction activity.

Operating expenses in the Rental segment in the 2019 fiscal year were up by 13.5% on the figures for 2018, from EUR 289.4 million to EUR 328.6 million. This development is due primarily to the larger portfolio thanks to the acquisitions of BUWOG, Victoria Park and Hembla. All in all, Adjusted EBITDA Rental rose by 9.3%, from EUR 1,315.1 million in 2018 to EUR 1,437.4 million in 2019.

8.5.2 Value-add segment

8.5.2.1 *Nine-month period ended September 30, 2021 compared to the nine-month period ended September 30, 2020*

The Value-add segment was slightly impacted by the Covid-19 pandemic due to individual Covid-19-related construction delays in modernization measures. Overall, Vonovia's own craftsmen's organization contributed to the stable development of the segment. Vonovia further expanded its business activities in the areas of supplying its tenants with cable television, residential environment services, insurance services and measurement services as well as energy supplies.

In the 2020 fiscal year, the presentation of revenue in the Value-add segment was changed with the introduction of the new Total Segment Revenue performance indicator, see "*8.2.12.2 Adjustments to the segment report*".

In the nine-month period ended September 30, 2021, external revenues from Value-add activities with Vonovia's end customers amounted to EUR 41.8 million, 11.8% above the comparative value of EUR 37.4 million for the nine-month period ended September 30, 2020. Intragroup revenues increased by 4.7% from EUR 762.6 million in the nine-month period ended September 30, 2020 to EUR 798.3 million in the nine-month period ended September 30, 2021. Overall, Value-add revenues in the nine-month period ended September 30, 2021 of EUR 840.1 million were 5.0% above the nine-month comparative value for 2020 of EUR 800.0 million. At EUR 724.5 million, operating costs in the Value-add segment in the nine-month period ended September 30, 2021 were 5.0% higher than the comparative figures for the 2020 of EUR 689.9 million.

At EUR 115.6 million, adjusted EBITDA Value-add in the nine-month period ended September 30, 2021 was 5.0% higher than the comparative value of EUR 110.1 million in the nine-month period ended September 30, 2020.

8.5.2.2 *Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019*

External revenue from the Company's Value-add activities with the Company's end customers rose by 2.0% from EUR 50.6 million in 2019 to EUR 51.6 million in 2020. At EUR 1,053.0 million, internal revenue in 2020 was down by 4.6% on the prior-year figure of EUR 1,104.2 million, mainly due to the Covid-19 pandemic. Overall, this results in a 4.3% drop in the income from the Value-add segment from EUR 1,154.8 million in 2019 to EUR 1,104.6 million in 2020. In the 2020 fiscal year, operating expenses in the Value-add segment were down by 5.6% on the figures for 2019, from EUR 1,008.5 million to EUR 952.3 million. This development is mainly due to construction delays related to the Covid-19 pandemic. Adjusted EBITDA Value-add rose by 4.1%, from EUR 146.3 million in 2019 to EUR 152.3 million in 2020. Also refer to "*8.2.12.2 Adjustments to the segment report*" for further information on how the introduction of the Total Segment Revenue APM affected, among other matters, the accounting of revenue in the Value-add segment.

8.5.2.3 *Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018*

External revenue from the Company's Value-add activities with the Company's end customers rose by 2.6%, from EUR 49.3 million in 2018 to EUR 50.6 million in the 2019 fiscal year. Internal revenue rose by 11.8% from EUR 987.9 million in 2018 to EUR 1,104.2 million in 2019. Overall, this resulted in an 11.3% increase in the revenue from the Value-add segment from EUR 1,037.2 million in 2018 to EUR 1,154.8 million in 2019. Adjusted EBITDA Value-add rose by 20.7%, from EUR 121.2 million in 2018 to EUR 146.3 million in 2019.

8.5.3 Recurring sales segment

8.5.3.1 *Nine-month period ended September 30, 2021 compared to the nine-month period ended September 30, 2020*

In the fiscal year 2021, Vonovia continued its selective sales strategy. In the nine-month period ended September 30, 2021, Vonovia privatized 2,367 apartments (compared to 1,883 in the nine-month period ended September 30, 2020), of which 1,928 were in Germany (nine-month period ended September 30, 2020: 1,412) and 439 in Austria (nine-month period ended September 30, 2020: 471).

In the Recurring Sales segment, revenues from the sale of real estate in the nine-month period ended September 30, 2021 amounted to EUR 422.2 million, 42.4 % above the comparative value of EUR 296.5 million in the nine-month period ended September 30, 2020. Of this amount, EUR 321.6 million is attributable to sales in Germany (compared to EUR 199.3 million in the nine-month period ended September 30, 2020) and EUR 100.6 million to sales in Austria (compared to EUR 97.2 million in the nine-month period ended September 30, 2020). In the Recurring Sales segment, selling expenses of EUR 14.0 million in the nine-month period ended September 30, 2021 were 40.0 % above the comparative figure of EUR 10.0 million in the nine-month period ended September 30, 2020.

At EUR 105.5 million, Adjusted EBITDA Recurring Sales in the 2021 reporting period was 40.9% above the comparative figure of EUR 74.9 million in the nine-month period ended September 30, 2020. At 39.5%, market value step-up Recurring Sales in the nine-month period ended September 30, 2021 were below the previous year's figure (40.1% for the nine-month period ended September 30, 2020).

8.5.3.2 Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019

In the Recurring Sales segment, the income from disposal of properties came to EUR 382.4 million in the 2020 fiscal year, up by 4.7% on the value of EUR 365.1 million in 2019; EUR 264.2 million of this amount was attributed to sales in Germany (2019: EUR 250.9 million) and EUR 118.2 million to sales in Austria (2019: EUR 114.2 million). The Company privatized 2,442 apartments in the 2020 fiscal year (2019: 2,607), thereof 1,870 in Germany (2019: 2,012) and 572 in Austria (2019: 595). Adjusted EBITDA Recurring Sales were EUR 92.4 million in the 2020 fiscal year, up by 0.5% on the value of EUR 91.9 million seen in 2019. The Fair Value step-up for Recurring Sales was 39.6% in 2020, down slightly on the comparative value of 41.3% for 2019. This is due primarily to lower step-ups for sales in Austria as against the previous year. The step-ups in Austria were higher than in Germany overall.

8.5.3.3 Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018

The income from disposal of properties came to EUR 365.1 million in the 2019 fiscal year, up by 2.5% on the value of EUR 356.1 million in 2018; EUR 250.9 million of this amount is attributed to sales in Germany (2018: EUR 268.7 million) and EUR 114.2 million to sales in Austria (2018: EUR 87.4 million). The Company privatized 2,607 apartments in the 2019 fiscal year (2018: 2,818), thereof 2,012 in Germany (2018: 2,393) and 595 in Austria (2018: 425). Adjusted EBITDA Recurring Sales was EUR 91.9 million in the 2019 fiscal year, up by 16.2% on the value of EUR 79.1 million seen in 2018. The Fair Value step-up for Recurring Sales were 41.3% in 2019, up against the comparative value of 35.5% for 2018. Much higher market prices were achieved in the 2019 fiscal year in relation to the total portfolio. In addition, the BUWOG sales are included with a contribution for the year as a whole.

8.5.4 Development segment

8.5.4.1 Nine-month period ended September 30, 2021 compared to the nine-month period ended September 30, 2020

In the nine-month period ended September 30, 2021, the Development segment generated positive earnings contributions in Germany, Austria and Sweden through its Development to sell and Development to hold divisions, thus again contributing to Vonovia's growth.

In the Development to sell division, 580 units were completed in the nine-month period ended September 30, 2021 (compared to 381 units in the nine-month period ended September 30, 2020), of which

496 units were completed in Germany (compared to 381 units in the nine-month period ended September 30, 2020) and 84 units in Austria (compared to 0 units in the nine-month period ended September 30, 2020). Proceeds from the sale amounted to EUR 328.8 million in the nine-month period ended September 30, 2021 (compared to EUR 181.6 million in the nine-month period ended September 30, 2020), of which EUR 174.3 million was attributable to project development in Germany (compared to EUR 132.4 million in the nine-month period ended September 30, 2020) and EUR 154.5 million to project development in Austria (compared to EUR 49.2 million in the nine-month period ended September 30, 2020). The resulting gross profit from Development to sell amounted to EUR 58.5 million in the nine-month period ended September 30, 2021 (compared to EUR 36.6 million in the nine-month period ended September 30, 2020). In the area of Development to hold, a total of 786 units (compared to 1,056 units in the nine-month period ended September 30, September 30, 2020) were completed in the reporting period, of which 506 in Germany (compared to 548 units in the nine-month period ended September 30, 2020), 154 units in Sweden (compared to 125 units in the nine-month period ended September 30, 2020) and 126 units in Austria (compared to 383 units in the nine-month period ended September 30, 2020).

In the Development to hold division, a fair value of EUR 162.2 million was achieved in the nine-month period ended September 30, 2021 (compared to EUR 225.8 million in the nine-month period ended September 30, 2020). At EUR 96.5 million, this was attributable to project development in Germany (compared to EUR 94.7 million in the nine-month period ended September 30, 2020), EUR 21.4 million to project development in Sweden (compared to EUR 3.1 million in nine-month period ended September 30, 2020) and EUR 44.3 million to project development in Austria (compared to EUR 128.0 million the nine-month period ended September 30, 2020). Gross profit for Development to hold amounted to EUR 44.3 million in the nine-month period ended September 30, 2021 (compared to EUR 44.3 million in the nine-month period ended September 30, 2020). At EUR 24.0 million, operating costs in the nine-month period of 2021 were 86.0% above the comparative figure of EUR 12.9 million. The increase in operating costs compared to the previous year is due to the organizational structure of BUWOG Germany and the resulting higher material and personnel costs or business expenses.

At EUR 79.8 million, adjusted EBITDA for the Development segment in the nine-month period ended September 30, 2021 was 16.0% above the comparative value of EUR 68.8 million for the nine-month period ended September 30, 2020.

8.5.4.2 Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019

The segment revenue from Development (total of income from the sale of Development to sell properties, Fair Value from Development to hold and rental income in the Development segment) rose by 15.5% from EUR 516.9 million in 2019 to EUR 597.1 million in 2020.

In the Development to sell area, a total of 646 units were completed in the 2020 fiscal year (2019: 791 units), with all 646 units located in Germany (2019: 350 units). No units were completed in Austria in 2020 (2019: 441 units). In 2020, income from the disposal of Development to sell properties amounted to EUR 297.7 million (2019: EUR 249.5 million), with EUR 201.0 million attributable to project development in Germany (2019: EUR 131.8 million) and EUR 96.7 million to project development in Austria (2019: EUR 117.6 million). The resulting gross profit for Development to sell came to EUR 61.8 million (2019: EUR 52.2 million).

In the Development to hold area, a total of 1,442 units (2019: 1,301 units incl. attic conversions) were completed, thereof 862 in Germany (2019: 870 units), 383 units in Austria (2019: 401 units) and 197 units in Sweden (2019: 30 units). In the Development to hold area, a Fair Value of EUR 298.2 million was achieved in 2020 (2019: EUR 266.3 million). EUR 157.1 million of this figure is attributable to project development in Germany (2019: EUR 164.3 million), EUR 127.9 million to project development in Austria

(2019: EUR 96.3 million) and EUR 13.2 million to project development in Sweden (2019: EUR 5.7 million). The gross profit for Development to hold came to EUR 62.8 million (2019: EUR 58.9 million).

The Adjusted EBITDA for the Development segment amounted to EUR 110.9 million in the 2020 fiscal year (2019: EUR 84.5 million).

8.5.4.3 Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018

In the Development to sell area, a total of 791 units were completed in the 2019 fiscal year (2018: 470 units), thereof 350 units in Germany (2018: 128) and 441 units in Austria (2018: 342). In 2019, income from the disposal amounted to EUR 249.5 million (2018: EUR 225.1 million), with EUR 131.8 million attributable to project development in Germany (2018: EUR 107.8 million) and EUR 117.6 million to project development in Austria (2018: EUR 117.2 million). The resulting gross profit for Development to sell came to EUR 52.2 million (2018: EUR 43.3 million).

In the Development to hold area, a total of 1,301 units were completed (2018: 638 units incl. attic conversions), thereof 870 in Germany (2018: 457 units) and 401 units in Austria (2018: 181 units) and 30 units in Sweden (2018: 0 units). This includes 307 apartments (2018: 160) that were developed as part of modernization measures (the addition of extra stories to existing buildings). The Fair Value effect of these apartments is included in net income from Fair Value adjustments of investment properties, as these measures relate to old stock. In the Development to hold area, a Fair Value of EUR 266.3 million was achieved in 2019 (2018: EUR 98.0 million), with EUR 164.3 million attributable to project development in Germany (2018: EUR 66.0 million) and EUR 96.3 million to project development in Austria (2018: EUR 32.0 million) and EUR 5.7 million to project development in Sweden (2018: EUR 0.0 million). The gross profit for Development to hold came to EUR 58.9 million (2018: EUR 18.7 million).

The Adjusted EBITDA for the Development segment amounted to EUR 84.5 million in the 2019 fiscal year (2018: EUR 39.4 million).

8.6 Real Estate Portfolio and Investments

The following table provides an overview of the development of the Vonovia Portfolio from January 1, 2018 through September 30, 2021.

	Investment Properties	**Owner-occupied properties**	**Assets Held for Sale**	**Real Estate Inventories**	**Receivables from the Sale of Real Estate Inventories**	**Total**
	(unaudited, unless otherwise indicated)					
	(EUR in millions)					
As of September 30, 2021	**91,521.0**	**219.9**	**3,078.6**	**518.3**	**405.5**	**95,743.3**
Additions due to business combinations	28,415.7	29.7	2,199.2	8.0	–	30,652.6
Additions	424.1	0.3	–	220.0	196.9	841.3
Capitalized modernization costs	724.8	1.2	–	–	–	726.0
Grants received	(2.4)	–	–	–	–	(2.4)
Transfer to investment properties	0.7	(0.7)	–	–	–	0.0
Other transfers	(0.9)	1.3	2.9	(1.2)	–	2.1
Transfer from down payments made	0.1	–	–	–	–	0.1

	Investment Properties	Owner-occupied properties	Assets Held for Sale	Real Estate Inventories	Receivables from the Sale of Real Estate Inventories	Total
	(unaudited, unless otherwise indicated)					
	(EUR in millions)					
Transfer from real estate inventories	3.8	–	–	(3.8)	–	0.0
Transfer to real estate inventories.........	(5.7)	–	–	5.7	–	0.0
Transfer to assets held for sale.............	(976.0)	(0.6)	976.6	–	–	0.0
Disposals	(140.5)	–	(265.0)	(280.8)	–	(686.3)
Net income from fair value adjustments of investment properties ...	5,073.0	–	–	–	–	5,073.0
Revaluation of assets held for sale........	21.8	–	–	–	–	21.8
Revaluation from currency effects........	(89.3)	–	–	–	–	(89.3)
Depreciation in reporting year	–	(2.6)	–	–	–	(2.6)
As of Dec. 31, 2020.............................	**58,071.8(*)**	**191.3(*)**	**164.9(*)**	**570.4(*)**	**208.6**	**59,207.0**
Additions due to business combinations	123.0(*)	2.2(*)	–	109.1	–	234.3
Additions	605.1(*)	12.0(*)	–	197.3	35.0	849.4
Capitalized modernization costs...........	1,114.5(*)	1.7(*)	0.1	–	–	1,116.3
Grants received....................................	(19.6)(*)	–	–	–	–	(19.6)
Transfer to investment properties	12.8(*)	(12.8)(*)	–	–	–	0.0
Transfer from investment properties.....	(10.7)(*)	10.7(*)	–	–	–	0.0
Other transfers	–	–	–	1.2	–	1.2
Transfer from down payments made	42.2(*)	–	–	–	–	42.2
Transfer from real estate inventories	14.2(*)	–	–	(14.2)	–	0.0
Transfer to real estate inventories.........	(88.2)(*)	–	–	88.2	–	0.0
Transfer from assets held for sale	2.4(*)	–	(2.4)	–	–	0.0
Transfer to assets held for sale.............	(298.1)(*)	–	298.1	–	–	0.0
Disposals	(217.6)(*)	(1.9)(*)	(265.0)	(168.1)	–	(652.6)
Net income from fair value adjustments of investment properties ...	3,719.8(*)	–	–	–	–	3,719.8
Revaluation of assets held for sale........	78.2(*)	–	–	–	–	78.2
Revaluation from currency effects........	257.2(*)	–	–	–	–	257.2
Depreciation in reporting year	–	(4.3)(*)	–	–	–	(4.3)
Impairment	–	(0.5)(*)	–	(1.4)	–	(1.9)
Reversal of impairments......................	–	0.6(*)	–	–	–	0.6
As of Dec. 31, 2019.............................	**52,736.6(*)**	**183.6(*)**	**134.1(*)**	**358.3(*)**	**173.6**	**53,586.2**
Additions due to business combinations	3,202.9(*)	–	–	–	–	3,202.9
Additions of right-of-use assets (IFRS 16) due to first-time application.	217.9(*)	29.1(*)(1)	–	–	–	247.0
Additions	983.9(*)	28.0(*)(1)	–	234.0	–	1,245.9
Capitalized modernization costs...........	1,117.6(*)	1.8(*)	0.1	–	–	1,119.5

	Investment Properties	Owner-occupied properties	Assets Held for Sale	Real Estate Inventories	Receivables from the Sale of Real Estate Inventories	Total
	(unaudited, unless otherwise indicated)					
	(EUR in millions)					
Grants received	(14.2)[*]	(1.0)[*]	–	–	–	(15.2)
Other transfers	(2.8)[*]	–	–	–	–	(2.8)
Transfer from investment properties	(3.3)[*]	3.3[*]	–	–	–	0.0
Transfer to investment properties	11.1[*]	(11.1)[*]	–	–	–	0.0
Transfer from real estate inventories	5.4[*]	–	–	(5.4)	–	0.0
Transfer to real estate inventories	(21.8)[*]	–	–	21.8	–	0.0
Transfer from assets held for sale	4.5[*]	–	(4.5)	–	–	0.0
Transfer to assets held for sale	(316.1)[*]	–	316.1	–	–	0.0
Disposals	(158.2)[*]	–	(283.6)	(199.1)	(11.9)	(652.8)
Disposals due to changes in scope of consolidation	(4.8)[*]	–	–	–	–	(4.8)
Net income from fair value adjustments of investment properties	4,131.5[*]	–	–	–	–	4,131.5
Revaluation of assets held for sale	59.7[*]	–	–	–	–	59.7
Revaluation from currency effects	32.4[*]	–	0.1	(0.1)	–	32.4
Depreciation in reporting year	–	(4.2)[*][(1)]	–	–	–	(4.2)
Impairment	–	(0.5)[*]	–	–	–	(0.5)
Reversal of impairments	–	0.7[*]	–	–	–	0.7
As of Dec. 31, 2018	**43,490.9[*]**	**137.5[*]**	**105.9[*]**	**307.1[*]**	**185.5**	**44,226.9**
Additions due to business combinations	6,214.7[*]	21.1[*]	–	334.3	–	6,570.1
Additions	365.8[*]	22.4[*]	–	160.7	185.5	734.4
Capitalized modernization costs	1,006.0[*]	1.6[*]	–	–	–	1,007.6
Grants received	(2.6)[*]	–	–	–	–	(2.6)
Transfer from investment properties	(6.5)[*]	6.5[*]	–	–	–	0.0
Transfer to investment properties	10.7[*]	(10.7)[*]	–	–	–	0.0
Transfer from assets held for sale	24.4[*]	–	(24.4)	–	–	0.0
Transfer to assets held for sale	(323.9)[*]	–	323.9	–	–	0.0
Other transfers	–	–	–	(1.2)	–	(1.2)
Disposals	(597.6)[*]	(1.2)[*]	(336.2)	(186.7)	–	(1,121.7)
Disposals due to changes in scope of consolidation	(2.3)[*]	–	–	–	–	(2.3)
Net income from fair value adjustments of investment properties	3,517.9[*]	–	–	–	–	3,517.9
Revaluation of assets held for sale	68.5[*]	–	–	–	–	68.5
Revaluation from currency effects	33.0[*]	–	–	–	–	33.0
Depreciation in reporting year	–	(2.2)[*]	–	–	–	(2.2)
Reversal of impairments	–	0.5[*]	–	–	–	0.5

	Investment Properties	Owner-occupied properties	Assets Held for Sale	Real Estate Inventories	Receivables from the Sale of Real Estate Inventories	Total
	(unaudited, unless otherwise indicated)					
	(EUR in millions)					
As of Jan. 1, 2018	**33,182.8(*)**	**99.5(*)**	**142.6(*)**	**–**	**–**	**33,424.9**

(*) Figures audited.

(1) The figures stated as at December 31, 2019 have been adjusted in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2020 compared to the same line item of results stated in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2019. For more information, see Note 2 (*Adjustment to Prior-year Figures*) in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2020.

8.6.1 Development from January 1, 2021 through September 30, 2021

The real estate portfolio increased by EUR 36,536.3 million, or 61.7%, from EUR 59,207.0 million as at December 31, 2020 to EUR 95,743.3 million as at September 30, 2021. The increase was primarily due to additions due to business combinations in the amount of EUR 30,652.6 million for the Deutsche Wohnen Transaction and net income from fair value adjustments of investment properties in the amount of EUR 5,073.0 million.

8.6.2 Development from January 1, 2020 through December 31, 2020

The real estate portfolio increased by EUR 5,620.8 million, or 10.5%, from EUR 53,586.2 million for the fiscal year ended December 31, 2019 to EUR 59,207.0 million for the fiscal year ended December 31, 2020. The increase was primarily due to the development of investment properties with a net income from fair value adjustments in the amount of EUR 3,719.8 million, capitalized modernization costs in the amount of EUR 1,114.5 million and the ongoing additions in the amount of EUR 605.1 million.

8.6.3 Development from January 1, 2019 through December 31, 2019

The real estate portfolio increased by EUR 9,359.3 million, or 21.2%, from EUR 44,226.9 million for the fiscal year ended December 31, 2018 to EUR 53,586.2 million for the fiscal year ended December 31, 2019. The increase was primarily due to the development of investment properties with additions due to business combinations in the amount of EUR 3,202.9 million for the acquisition of Hembla, net income from fair value adjustments in the amount of EUR 4,131.5 million, capitalized modernization costs in the amount of EUR 1,117.6 million and the ongoing additions in the amount of EUR 983.9 million.

8.6.4 Development from January 1, 2018 through December 31, 2018

The real estate portfolio increased by EUR 10,802.0 million, or 32.3%, from EUR 33,424.9 million to EUR 44,226.9 million from January 1, 2018 until December 31, 2018. The increase was primarily due to the development of investment properties with additions due to business combinations in the amount of EUR 4,582.4 million for the acquisition of BUWOG and EUR 1,632.3 million for the acquisition of Victoria Park, net income from fair value adjustments in the amount of EUR 3,517.9 million, capitalized modernization costs in the amount of EUR 1,006.0 million and the ongoing additions in the amount of EUR 365.8 million.

8.6.5 Planned committed investments of a material nature

As of the date of this Prospectus, the Company has, prior to the first date of consolidation of Deutsche Wohnen on September 30, 2021, made commitments in respect of capital expenditures of up to

EUR 2.2 billion relating to maintenance, modernization and development activities. The Company expects to make capital expenditures in a total amount of up to EUR 2.2 billion in the fiscal year 2021. As these are budgeted amounts, there can be no assurance that the Company's capital expenditures will not deviate from the amounts set forth above. Apart from the capital expenditures mentioned above, the Company has not resolved on any significant investments for the fiscal year 2021 or beyond.

8.7 Liquidity and Capital Resources

The Group derives liquidity and operating capital primarily from its operational business and from raising financial liabilities. The Group had cash and cash equivalents of EUR 613.3 million, EUR 500.7 million and EUR 547.7 million as of December 31, 2020, 2019 and 2018 respectively, and of EUR 2,173.3 million and EUR 1,713.6 million as of September 30, 2021 and 2020 respectively. Following completion of the Offering, the Group expects that its key sources of liquidity will continue to be derives liquidity and operating capital primarily from its operational business and from raising financial liabilities.

The Group aims to manage capital to ensure that it can continue to operate as a going concern. The Group's ability to generate cash flow from operations depends on its future operating performance, which is in turn dependent on general economic, financial, market and other factors, many of which are beyond its control. See "*8.2 Key Factors Affecting Results of Operations and Comparability*" for a discussion of certain factors that could affect the Group's future performance and the industries in which it operates.

8.7.1 Cash flows

The following table sets forth the principal components of the Group's cash flows for the periods indicated.

	Fiscal year ended December 31,			**Nine-month period ended September 30,**	
	2020	**2019**	**2018**	**2021**	**2020**
	(audited)			*(unaudited)*	
	(EUR in millions)				
Cash flow from operating activities	1,430.5	1,555.9	1,132.5	1,026.3	1,016.7
Cash flow from investing activities	(1,729.9)	(2,505.7)	(3,892.5)	(8,625.1)	(1,204.5)
Cash flow from financing activities	402.6	902.8	3,041.5	9,161.5	1,402.0
Influence of changes in foreign exchange rates on cash and cash equivalents	9.4	–	–	(1.6)	(1.3)
Changes in cash in connection with assets held for sale	–	–	–	(1.1)	–
Net changes in cash and cash equivalents	**112.6**	**(47.0)**	**281.5**	**1,560.0**	**1,212.9**
Cash and cash equivalents at the beginning of the period	500.7	547.7	266.2	613.3	500.7
Cash and cash equivalents at the end of the period[(1)]	**613.3**	**500.7**	**547.7**	**2,173.3**	**1,713.6**

(1) Including restricted cash of EUR 159.9 million, EUR 97.3 million and EUR 57.2 million for the fiscal years ended December 31, 2020, 2019 and 2018 respectively. For the nine-month period ended September 30, 2021 and 2020, respectively, including current securities of current assets classified as cash equivalents in an amount of EUR 898.5 million and EUR 650.0 million as well as a total amount of restricted cash of EUR 75.7 million and EUR 91.3 million.

8.7.1.1 Comparison of cash flow from operating activities

Cash flow from operating activities increased by EUR 9.6 million, or 0.9%, from EUR 1,016.7 million for the nine-month period ended September 30, 2020 to EUR 1,026.3 million for the nine-month period ended September 30, 2021. This was due to an improved operating result and the developments in the Group's working capital.

Cash flow from operating activities decreased by EUR 125.4 million, or 8.1%, from EUR 1,555.9 million for the fiscal year ended December 31, 2019 to EUR 1,430.5 million for the fiscal year ended December 31, 2020. The decrease was primarily due to developments in the Group's working capital and income tax paid which offset an increase in the Group's operating result.

Cash flow from operating activities increased by EUR 423.4 million, or 37.4%, from EUR 1,132.5 million for the fiscal year ended December 31, 2018 to EUR 1,555.9 million for the fiscal year ended December 31, 2019. The increase was primarily due to the improvement in the Group's operating result. In addition, the development of the income tax paid had a positive effect on operating cash flow.

8.7.1.2 Comparison of cash flow from investing activities

Cash flow from investing activities increased by EUR -7,420.6 million from EUR -1,204.5 million for the nine-month period ended September 30, 2020 to EUR -8,625.1 million for the nine-month period ended September 30, 2021. This increase is predominantly characterized by the acquisition of the shares in Deutsche Wohnen in the amount of EUR 6,490.9 million (taking into account acquired cash and cash equivalents). In addition, the investment cash flow includes a payment of EUR 999.9 million for investments in term deposits and highly liquid money market funds that cannot be classified as cash equivalent due to an original term of more than three months. In the nine-month period ended September 30, 2021, disbursements for investments in investment properties amounted to EUR 1,148.9 million (nine-month period ended September 30, 2020: EUR 1,183.2 million). In contrast, payments from inventory sales of EUR 481.3 million were collected (nine-month period ended September 30, 2020: EUR 435.7 million). Payments for investments in other assets amounted to EUR 473.2 million in the nine-month period ended September 30, 2021 (nine-month period ended September 30, 2020: EUR 238.4 million).

Cash flow from investing activities decreased by EUR 775.8 million, or 31.0%, from EUR -2,505.7 million for the fiscal year ended December 31, 2019 to EUR -1,729.9 million for the fiscal year ended December 31, 2020. Cash inflows from investing activities in the period included income from portfolio sales in the amount of EUR 587.4 million. Cash outflows from investing activities in the period included payments for the acquisition of investment properties in the amount of EUR 1,723.7 million in 2020, subsequent net purchase price payments for shares for Hembla in the amount of EUR 112.1 million and a payment of EUR 160.2 million made for the acquisition of a stake in Vesteda.

Cash flow from investing activities decreased by EUR 1,386.8 million, or 35.6%, from EUR -3,892.5 million for the fiscal year ended December 31, 2018 to EUR -2,505.7 million for the fiscal year ended December 31, 2019. Cash inflows from investing activities in the period included income from portfolio sales in the amount of EUR 702.7 million and income from the sale of the shares in Deutsche Wohnen in the amount of EUR 698.1 million. Cash outflows from investing activities in the period included payments for the acquisition of investment properties in the amount of EUR 2,092.0 million (including the purchase of a real estate portfolio in Sweden for EUR 407.1 million) and a payment of EUR 1,716.2 million for the acquisition of Hembla.

8.7.1.3 Comparison of cash flow from financing activities

Cash flow from financing activities increased by EUR 7,759.5 million from EUR 1,402.0 million for the nine-month period ended September 30, 2020 to EUR 9,161.5 million for the nine-month period ended September 30, 2021. For the nine-month period ended September 30, 2021, cash flow from financing activities includes payments for regular and unscheduled repayments of financial liabilities in the amount of EUR 2,165.7 million (nine-month period ended September 30, 2020: EUR 2,635.1 million) as well as proceeds from issuing financial liabilities in the amount of EUR 12,314.3 million (nine-month period ended September 30, 2020: EUR 3,890.3 million). Payments for transaction and financing costs amounted to EUR 203.8 million (nine-month period ended September 30, 2020: EUR 48.7 million). Interest and dividend payments for the nine-month period ended September 30, 2021 amounted to EUR 267.0 million (nine-month period ended September 30, 2020: EUR 272.2 million).

Cash flow from financing activities decreased by EUR 500.2 million, or 55.4%, from EUR 902.8 million for the fiscal year ended December 31, 2019 to EUR 402.6 million for the fiscal year ended December 31, 2020. Cash inflows from financing activities in the period included cash inflows from a cash capital increase in the amount of EUR 1,003.0 million and proceeds from issuing financial liabilities in the amount of EUR 4,188.6 million. Cash outflows from financing activities in the period included payments for regular and unscheduled repayments in the amount of EUR 3,721.5 million, transaction and financing costs in the amount of EUR 60.1 million, interest and dividend payments in amounts of EUR 409.2 million and EUR 520.8 million, respectively, and repayments of lease liabilities in the amount of EUR 23.1 million.

Cash flow from financing activities decreased by EUR 2,138.7 million, or 70.3%, from EUR 3,041.5 million for the fiscal year ended December 31, 2018 to EUR 902.8 million for the fiscal year ended December 31, 2019. Cash inflows from financing activities in the period included cash inflows from a cash capital increase in the amount of EUR 744.2 million and proceeds from issuing financial liabilities in the amount of EUR 5,333.2 million. Cash outflows from financing activities in the period included payments for regular and unscheduled repayments in the amount of EUR 3,626.6 million, transaction and financing costs in the amount of EUR 96.1 million, interest and dividend payments in amounts of EUR 395.7 million and EUR 417.7 million, respectively. Cash flows from financing activities in the period also included payments for the acquisition of shares in non-controlling interests in the amount of EUR 576.1 million, mainly in connection with the acquisition of all remaining shares in BUWOG as well as the exercise of the call options for shares in Victoria Park. The first-time application of IFRS 16 in the 2019 fiscal year also resulted in the separate recognition of payments for the settlement of lease liabilities in the amount of EUR 22.4 million.

8.7.2 Equity

The following table shows the Group's equity as of the dates shown:

	As of December 31,			As of September 30,
	2020	**2019**	**2018**	**2021**
	(audited)			*(unaudited)*
	(EUR in millions)			
Subscribed capital	565.9	542.3	518.1	575.3
Capital reserves	9,037.9	8,239.7	7,183.4	9,496.3
Retained earnings	13,368.2	10,534.4	9,942.0	16,278.9
Other reserves	171.9	(8.1)	236.7	142.7
Total equity attributable to Vonovia's shareholders	**23,143.9**	**19,308.3**	**17,880.2**	**26,493.2**
Equity attributable to hybrid capital investors	1,001.6	1,001.6	1,001.6	1,031.5
Total equity attributable to Vonovia's shareholders and hybrid capital investors	**24,145.5**	**20,309.9**	**18,881.8**	**27,524.7**
Non-controlling interests	686.3	813.9(1)	782.3	1,201.7
Total equity	**24,831.8**	**21,123.8**	**19,664.1**	**28,726.4**

(1) The figure stated as at December 31, 2019 have been adjusted in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2020 compared to the same line item of results stated in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2019. For more information, see Note 2 (*Adjustment to Prior-year Figures*) in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2020.

8.7.2.1 *Nine-month period ended September 30, 2021 compared to the fiscal year ended December 31, 2020*

Total equity increased by EUR 3,894.6 million, or 15.7%, from EUR 24,831.8 million for the fiscal year ended December 31, 2020 to EUR 28,726.4 million for the nine-month period ended September 30, 2021. The increase in equity resulted in particular from the profit for the period of EUR 3,869.1 million. The cash dividend distributions in the sum of EUR 486.0 million had the opposite effect. The Deutsche Wohnen Transaction increased non-controlling interests by EUR 473.0 million. These are non-controlling interests within Deutsche Wohnen that were taken over as part of the first-time consolidation process.

8.7.2.2 *Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019*

Total equity increased by EUR 3,708.0 million, or 17.6%, from EUR 21,123.8 million for the fiscal year ended December 31, 2019 to EUR 24,831.8 million for the fiscal year ended December 31, 2020. The increase was primarily due to the net profit for the period of EUR 3,340.0 million and capital increases of EUR 1,349.8 million that were partly compensated by paid dividends in an amount of EUR 851.4 million.

8.7.2.3 *Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018*

Total equity increased by EUR 1,459.7 million, or 7.4%, from EUR 19,664.1 million for the fiscal year ended December 31, 2018 to EUR 21,123.8 million for the fiscal year ended December 31, 2019. The increase was primarily due to the net profit for the period of EUR 1,294.3 million and capital increases of EUR 1,085.5 million, that were partly compensated by paid dividend in an amount of EUR 746.0 million.

8.7.3 Financial liabilities

Financial liabilities include non-derivative financial liabilities, derivative financial liabilities, lease liabilities, liabilities to non-controlling interests and financial liabilities from tenant financing.

The Group recognizes non-derivative financial liabilities, which mainly include liabilities to banks and to investors, at their Fair Value on the day of trading, less the directly attributable transaction costs (this generally corresponds to the acquisition costs). These liabilities are subsequently measured at amortized costs using the effective interest method. Financial liabilities are derecognized when the Group's obligations specified in the contract are expired or settled or cancelled. Liabilities bearing no interest or interest below market rates in return for occupancy rights at rents below the prevailing market rates are recorded at present value.

The Group also uses derivative financial instruments, in particular interest rate swaps and caps, to limit or manage interest rate risks. The Group's policies permit the use of derivatives only if they are associated with underlying assets or liabilities, contractual rights or obligations and planned, highly probable transactions. For further information regarding derivative financial liabilities, see Note 51 (*Additional Financial Instrument Disclosures*) and Note 55 (*Cash Flow Hedges and Stand-alone Interest Rate Swaps*) to the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2020.

The following table sets forth the Group's derivative and non-derivative financial liabilities as of the dates shown.

	As of December 31,						As of September 30,	
	2020		2019		2018		2021	
	(audited, unless otherwise indicated)						*(unaudited)*	
	(EUR in millions)							
	Non-current	**Current**	**Non-current**	**Current**	**Non-current**	**Current**	**Non-current**	**Current**
Non-derivative financial liabilities								
Liabilities to banks	6,375.2	533.8	6,853.9	549.1	4,893.5	306.6	13,121.1	1,617.8
Liabilities to other creditors	15,999.9	1,060.7	14,344.1	1,727.6	12,544.0	2,272.0	24,973.6	6,101.1
Deferred interest from non-derivative financial liabilities	–	115.1	–	100.2	–	119.9	–	170.2
Total non-derivative financial liabilities	**22,375.1**	**1,709.6**	**21,198.0**	**2,376.9**	**17,437.5**	**2,698.5**	**38,094.7**	**7,889.1**
Derivatives								
Purchase price liabilities from put options/rights to reimbursement	–	220.5	–	39.0	–	36.8	–	271.5
Cash flow hedges	29.6	–	21.6	–	15.2	–	17.0	–
Stand-alone derivatives	47.2	–	52.5	–	54.6	–	65.5	–
Deferred interest from derivatives	–	1.7	–	2.0	–	4.6	–	4.9
Total Derivatives	**76.8**	**222.2**	**74.1**	**41.0**	**69.8**	**41.4**	**82.5**	**276.4**
Lease liabilities	467.3	27.8	442.6	28.3	94.7	4.7	592.2	42.5
Liabilities to non-controlling interests	26.8	16.3	21.2	12.9	24.2	9.0	227.5	15.6
Financial liabilities from tenant financing	45.3	118.1	44.4	117.8	56.1	104.7	46.2	113.6
Total financial liabilities(*)	**22,991.3**	**2,094.0**	**21,780.3**	**2,576.9**	**17,682.3**	**2,858.3**	**39,043.1**	**8,337.2**

(*) Figures unaudited.

8.7.3.1 Nine-month period ended September 30, 2021 compared to the fiscal year ended December 31, 2020

Total non-derivative financial liabilities increased by EUR 21,899.1 million, or 90.9%, from EUR 24,084.7 million for the fiscal year ended December 31, 2020 to EUR 45,983.3 million for the nine-month period ended September 30, 2021.The increase was primarily due to the placement of bonds in the amount of EUR 10,100.0 million, new mortgage loans in the amount of EUR 2,230.8 million and the first-time consolidation of Deutsche Wohnen amounting to EUR 11,980.8 million. The increase was partly compensated by repayments of mortgage loans in the amount of EUR 2,192.0 million.

Total derivative financial liabilities increased by EUR 59.9 million, or 20.0%, from EUR 299.0 million for the fiscal year ended December 31, 2020 to EUR 358.9 million for the nine-month period ended September 30, 2021. The increase was primarily due to the increase of the purchase price liabilities of EUR 50.9 million from put options/rights to reimbursement. This increase resulted from new constructs and new valuations.

Total financial liabilities increased by EUR 22,295.0 million, or 88.9%, from EUR 25,085.3 million for the fiscal year ended December 31, 2020 to EUR 47,380.3 million for the nine-month period ended September 30, 2021. The increase was primarily due to the above-described increase in the total non-derivative financial liabilities and the increase of total derivative financial liabilities. The remaining increase results from the first-time-consolidation of Deutsche Wohnen in the lease liabilities and the liabilities to non-controlling interests.

8.7.3.2 Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019

Total non-derivative financial liabilities increased by EUR 509.8 million, or 2.2%, from EUR 23,574.9 million for the fiscal year ended December 31, 2019 to EUR 24,084.7 million for the fiscal year ended December 31, 2020. The increase was primarily due to the placement of EMTN bonds in the amount of EUR 2,700.0 million and new mortgage loans in the amount of EUR 1,476.6 million. The increase was partly compensated by repayments of mortgage loans in the amount of EUR 2,372.4 million and repayments of EMTN bonds in the amount of EUR 1,052.3 million.

Total derivative financial liabilities increased by EUR 183.9 million, or 159.8%, from EUR 115.1 million for the fiscal year ended December 31, 2019 to EUR 299.0 million for the fiscal year ended December 31, 2020. The increase was primarily due to the reclassification of purchase price liabilities from put options/rights to reimbursement (in the amount of EUR 147.0 million) from non-controlling interests in the course of the review and reassessment of relationships with minority shareholders.

Total financial liabilities increased by EUR 728.1 million, or 3.0%, from EUR 24,357.2 million for the fiscal year ended December 31, 2019 to EUR 25,085.3 million for the fiscal year ended December 31, 2020. The increase was primarily due to the above-described increase in the total non-derivative financial liabilities and the increase of total derivative financial liabilities.

8.7.3.3 Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018

Total non-derivative financial liabilities increased by EUR 3,438.9 million, or 17.1%, from EUR 20,136.0 million for the fiscal year ended December 31, 2018 to EUR 23,574.9 million for the fiscal year ended December 31, 2019. The increase was primarily due to the assumption of original financial debt of the Hembla Group in the amount of EUR 1,810.6 million as well as EUR 740.5 million from net new mortgage loans. Furthermore, the increase results from the placement of new loans (EMTN bonds) in the amount of EUR 3,000.0 million partly compensated by repayments of bonds in the amount of EUR 2,554.6 million.

Total derivative financial liabilities increased by EUR 3.9 million, or 3.5%, from EUR 111.2 million for the fiscal year ended December 31, 2018 to EUR 115.1 million for the fiscal year ended December 31, 2019.

Lease liabilities increased by EUR 371.5 million, or 373.7%, from EUR 99.4 million for the fiscal year ended December 31, 2018 to EUR 470.9 million for the fiscal year ended December 31, 2019. The increase was primarily due to the recognition of lease liabilities from the application of the new leasing standard IFRS 16.

Total financial liabilities increased by EUR 3,816.6 million, or 18.6%, from EUR 20,540.6 million for the fiscal year ended December 31, 2018 to EUR 24,357.2 million for the fiscal year ended December 31, 2019. The increase was primarily due to the above-described increase in the total non-derivative financial liabilities and the lease liabilities.

8.7.4 Non-derivative financial liabilities

The following table shows the maturities and average interest rates of the nominal obligations of the liabilities owed to banks and the liabilities owed to other creditors for the periods indicated.

	Nominal obligation as at Septembe r 30, 2021	Maturity (year)	Average interest rate (%)	2021	2022	2023	2024	2025	from 2026
					(unaudited)				
					(EUR in million, unless otherwise indicated)				
Bond 004 (USD)	185.0	2023	4.58%	–	–	185.0	–	–	–
Bond 005 (EMTN)	500.0	2021	3.63%	–	500.0	–	–	–	–
Bond 007 (EMTN)	500.0	2022	2.13%	–	500.0	–	–	–	–
Bond 009B (EMTN)........	500.0	2025	1.50%	–	–	–	–	500.0	–
Bond 010C (EMTN)........	1,000.0	2023	2.25%	–	–	1,000.0	–	–	–
Bond 011A (EMTN)	500.0	2022	0.88%	–	500.0	–	–	–	–
Bond 011B (EMTN)........	500.0	2026	1.50%	–	–	–	–	–	500.0
Bond 013 (EMTN)	1,000.0	2024	1.25%	–	–	–	1,000.0	–	–
Bond 014A (EMTN)	500.0	2022	0.75%	–	500.0	–	–	–	–
Bond 014B (EMTN)........	500.0	2027	1,75%	–	–	–	–	–	500.0
Bond 015 (EMTN)	500.0	2025	1.13%	–	–	–	–	500.0	–
Bond 017A (EMTN)	500.0	2024	0.75%	–	–	–	500.0	–	–
Bond 017B (EMTN)........	500.0	2028	1.50%	–	–	–	–	–	500.0
Bond 018A (EMTN)	600.0	2022	0,79%	–	600.0		–	–	–
Bond 018B (EMTN)........	700.0	2026	1.50%	–	–	–	–	–	700.0
Bond 018C (EMTN)........	500.0	2030	2.13%	–	–	–	–	–	500.0
Bond 018D (EMTN)	500.0	2038	2.75%	–	–	–	–	–	500.0
Bond 019 (EMTN)	500.0	2023	0.88%	–		500.0	–	–	–
Bond 020 (EMTN)	500.0	2025	1.80%	–	–	–	–	500.0	–
Bond 021A (EMTN)	500.0	2029	0.50%	–	–	–	–	–	500.0
Bond 021B (EMTN)........	500.0	2034	1.13%	–	–	–	–	–	500.0
Bond 022A (EMTN)	500.0	2023	0.13%	–	–	500.0	–	–	–
Bond 022B (EMTN)........	500.0	2027	0.63%	–	–	–	–	–	500.0
Bond 022C (EMTN)........	500.0	2039	1.63%	–	–	–	–	–	500.0
Bond 023A (EMTN)	500.0	2024	1.63%	–	–	–	500.0	–	–
Bond 023B (EMTN)........	500.0	2030	2.25%	–	–	–	–	–	500.0
Bond 024A (EMTN)	750.0	2026	0.63%	–	–	–	–	–	750.0
Bond 024B (EMTN)........	750.0	2030	1.00%	–	–	–	–	–	750.0
Bond 025 (EMTN)	500.0	2041	1.00%	–	–	–	–	–	500.0
Bond 026 (Green Bond) ..	600.0	2031	0.63%	–	–	–	–	–	600.0
Bond 027A (EMTN)	500.0	2024	0.00%	–	–	–	500.0	–	–
Bond 027B (EMTN)........	1,000.0	2027	0.38%	–	–	–	–	–	1,000.0
Bond 027C (EMTN)........	1,000.0	2029	0.63%	–	–	–	–	–	1,000.0
Bond 027D (EMTN)	1,000.0	2033	1.00%	–	–	–	–	–	1,000.0
Bond 027E (EMTN)........	500.0	2041	1.50%	–	–	–	–	–	500.0
Bond 028A (EMTN)	500.0	2023	0.00%	–	–	500.0	–	–	–

	Nominal obligation as at September 30, 2021	Maturity (year)	Average interest rate (%)	2021	2022	2023	2024	2025	from 2026
	(unaudited)								
	(EUR in million, unless otherwise indicated)								
Bond 028B (EMTN)	1,250.0	2025	0.00%	–	–	–	–	1,250.0	–
Bond 028C (EMTN)	1,250.0	2028	0.25%	–	–	–	–	–	1,250.0
Bond 028D (EMTN)	1,250.0	2032	0.75%	–	–	–	–	–	1,250.0
Bond 028E (EMTN)	750.0	2051	1.63%	–	–	–	–	–	750.0
Promissory note loan	250.0	2025	0.11%	–	–	120.0	20.0	–	110.0
Mortgages	8,212.7.0	2034	1.18%	350.5	478.6	868.0	1,1015.8	731.9	4,767.3
Deutsche Wohnen									
Convertible Bond	650.9	2024	0.33%	181.5	–	–	424.4	–	–
Convertible Bond	615.1	2025	0.60%	144.7	–	–	–	–	470.4
Bond	2,240.0	2021	1.07%	2,240.0	–	–	–	–	–
Registered Bond	475.0	2021	1.53%	475.0	–	–	–	–	–
Bearer Bond	1,377.5	2021	1.63%	1,377.5	–	–	–	–	–
Mortgages	6,246.5	2026	1.37%	1,109.9	82.7	748.8	201.9	981.2	3,122
Total	**45,607.7**	**–**	**–**	**6,379.1**	**2,661.3**	**4,421.8**	**4,162.1**	**4,463.1**	**23,520.3**

The following table shows how the Group's non-derivative financial liabilities developed during the nine-month period ended September 30, 2021 at their book value.

	As of January 1, 2021	First-time consolidation	New loans	Scheduled repayments	Unscheduled repayments	Adjusted for effective interest method	Other adjustments	Exchange rate differences	As of September 30, 2021
	(unaudited)								
	(EUR in millions)								
Bond (USD)	202.0	–	–	–	–	12.4	–	–	214.4
Bond (EMTN)	15,186.5	–	9,500.0	–	–	(83.4)	–	–	24,603.1
Green Bonds	–	–	600.0	–	–	(3.5)	–	–	596.5
Promissory note loan	49.9	–	224.0	(4.0)	(20.0)	–	–	–	249.9
Mortgages	8,531.2	–	2,006.8	(1,946.8)	(221.0)	(32.2)	(118.6)	(24.5)	8,194.7
Deferred interest	115.1	–	–	–	–	–	29.3	–	144.4
Deutsche Wohnen									
Convertible bonds	–	1,203.0	–	–	–	–	–	–	1,203.0
Other financial liabilities*	–	10,752.0	–	–	–	–	–	–	10,752.0
Deferred interest	–	25.8	–	–	–	–	–	–	25.8
Total	**24,084.7**	**11,980.8**	**12,330.8**	**(1,950.8)**	**(241.2)**	**(106.7)**	**(89.3)**	**(24.5)**	**45,983.8**

(*) Figures includes mortgages, corporate bonds, registered bonds and bearer bonds.

The following table shows how the Group's non-derivative financial liabilities developed during the fiscal year ended December 31, 2020 at their book value.

	As of January 1, 2020	**First-time consolidati on**	**New loans**	**Scheduled repayment s**	**Unschedul ed repayment s**	**Adjusted for effective interest method**	**Other adjustmen ts**	**Exchange rate differences**	**As of December 31, 2020**
					(audited)				
					(EUR in millions)				
Bond (USD)	219.4	–	–		–	(17.4)	–	–	202.0
Bond (EMTN)	13,545.9	–	2,700.0	(1,052.3)	–	(7.1)	–	–	15,186.5
Commercial paper	300.0	–	–	(300.0)	–	–	–	–	0.0
Promissory note loan	49.9	–	–		–	–	–	–	49.9
Mortgages	9,359.5	97.9	1,476.6	(874.2)	(1,498.2)	(125.7)	–	95.3	8,531.2
Deferred interest	100.2	–	–	–	–	–	14.9	–	115.1
Total	**23,574.9**	**97.9**	**4,176.6**	**(2,226.5)**	**(1,498.2)**	**(150.2)**	**14.9**	**95.3**	**24,084.7**

The following table shows how the Group's non-derivative financial liabilities developed during the fiscal year ended December 31, 2019 at their book value.

	As of January 1, 2019	**First-time consolidati on**	**New loans**	**Scheduled repayment s**	**Unschedul ed repayment s**	**Adjusted for effective interest method**	**Other adjustmen ts**	**Exchange rate differences**	**As of December 31, 2019**
					(audited)				
					(EUR in millions)				
Bond	599.6	–	–	(600.0)	–	0.4	–	–	0.0
Bonds (Sweden)	62.4	–	–	(56.9)	–	(3.9)	–	(1.6)	0.0
Bonds (USD)	215.1	–	–	–	–	4.3	–	–	219.4
Bonds (EMTN)	11,760.3	–	3,000.0	(500.0)	(697.7)	(16.7)	–	–	13,545.9
Bond (Hybrid)(1)	699.2	–	–	(700.0)	–	0.8	–	–	0.0
Commercial paper	420.0	–	300.0	(420.0)	–	–	–	–	300.0
Promissory note loan	–	–	50.0	–	–	(0.1)	–	–	49.9
Mortgages(2)	6,259.5	1,765.4	1,983.2	(288.6)	(363.4)	(12.3)	0.6	15.1	9,359.5
Deferred interest	119.9	–	–	–	–	–	(19.7)	–	100.2
Total	**20,136.0**	**1,765.4**	**5,333.2**	**(2,565.5)**	**(1,061.1)**	**(27.5)**	**(19.1)**	**13.5**	**23,574.9**

(1) The hybrid bond was called repayment in December 2019.

(2) The figures stated as at December 31, 2019 have been adjusted in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2020 compared to the same line item of results stated in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2019. For more information, see Note 2 (*Adjustment to Prior-year Figures*) in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2020.

The following table shows how the Group's non-derivative financial liabilities developed during the fiscal year ended December 31, 2018.

	As of January 1, 2018	First-time consolidation	New loans	Scheduled repayments	Unscheduled repayments	Adjusted for effective interest method	Other adjustments	Exchange rate differences	As of December 31, 2018
	(audited)								
	(EUR in millions)								
Bond	598.9	–	–	–	–	0.7	–	–	599.6
Bonds (USD)	204.8	–	–	–	–	10.3	–	–	215.1
Bonds (EMTN)	8,688.6	–	3,600.0	(500.0)	–	(28.3)	–	–	11,760.3
Bond (Hybrid)	697.3	–	–	–	–	1.9	–	–	699.2
Commercial Paper	410.2	–	813.0	(803.0)	–	(0.2)	–	–	420.0
Portfolio loans									
Berlin-Hannoversche Hypothekenbank (Landesbank Berlin)	489.3	–	50.5	(2.1)	(38.5)	0.2	–	–	499.4
Berlin-Hannoversche Hypothekenbank, Landesbank Berlin und Landesbank Baden-Württemberg	341.3	–	–	(4.2)	(17.3)	0.7	–	–	320.5
Deutsche Hypothekenbank	176.8	–	–	(5.0)	–	(2.7)	–	–	169.1
Nordrheinische Ärzteversorgung	31.6	–	–	(0.7)	(1.2)	–	–	–	29.7
Norddeutsche Landesbank	116.7	–	–	(3.4)	–	0.1	–	–	113.4
Mortgages	2,228.2	–	207.1	(50.4)	(94.5)	7.2	–	–	2,297.6
Working capital facility	–	–	100.0	(100.0)	–	–	–	–	–
BUWOG									
Mortgages	–	1,958.9	203.9	(39.3)	(190.3)	4.9	–	–	1,938.1
Victoria Park									
Bonds	–	101.6	–	(38.3)	–	(2.0)	–	1.1	62.4
Mortgages	–	804.2	89.7	(13.4)	–	(5.4)	–	16.6	891.7
Other deferred interest	76.8	2.5	–	–	–	–	40.6	–	119.9
Total	**14,060.5**	**2,867.2**	**5,064.2**	**(1,559.8)**	**(341.8)**	**(12.6)**	**40.6**	**17.7**	**20,136.0**

The U.S. dollar bond issued in 2013 is translated at the exchange rate at the end of the reporting period in line with applicable IFRS provisions. Allowing for the hedging rate prescribed through the interest hedging transaction entered into, this financial liability would be lower than the recognized value in the amounts of EUR 18.9 million, EUR 37.8 million and EUR 33.5 million as of December 31, 2020, 2019 and 2018 respectively, and EUR 31.6 million as of September 30, 2021.

For more information on the Group's borrowings, see Note 40 (*Non-derivative Financial Liabilities*) to the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2020.

8.7.5 Non-financial liabilities

Non-financial liabilities include trade payables, deferred tax liabilities and other liabilities. The following table provides the composition of non-financial liabilities as of the dates shown.

	As of December 31,			As of September 30,
	2020	2019	2018	2021
	(audited)			(unaudited)
	(EUR in millions)			
Deferred tax liabilities	10,959.6	9,288.2[(1)]	7,231.9	18,071.6
Trade payables	234.5	224.2	243.5	359.9
Other liabilities	205.9	290.1[(1)]	640.3	12,246.8
Total non-financial liabilities	**11,400.0**	**9,802.5[(1)]**	**8,115.7**	**30,678.3**

(1) The results stated as at December 31, 2019 have been adjusted in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2020 compared to the same line item of results stated in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2019. For more information, see Note 2 (*Adjustment to Prior-year Figures*) in the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2020.

8.7.5.1 Nine-month period ended September 30, 2021 compared to the fiscal year ended December 31, 2020

Non-financial liabilities increased by EUR 19,278.3 million, or 169.1%, from EUR 11,400.0 million for the fiscal year ended December 31, 2020 to EUR 30,678.3 million for the nine-month period ended September 30, 2021. The increase of other liabilities was primarily due to inclusion of a purchase price liability in connection with put options for the outstanding shares in Deutsche Wohnen in the amount of EUR 12.0 billion. This is mainly due to the application of the anticipated acquisition method as of the date of first-time consolidation of Deutsche Wohnen. It reflects the potential tender of all outstanding shares (including those already tendered as of September 30, 2021) of Deutsche Wohnen during the extended tender period. The valuation is consistent with the public takeover offer with a price of EUR 53.00 per share.

8.7.5.2 Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019

Non-financial liabilities increased by EUR 1,597.5 million, or 16.3%, from EUR 9,802.5 million for the fiscal year ended December 31, 2019 to EUR 11,400.0 million for the fiscal year ended December 31, 2020. The increase was primarily due to an increase in deferred tax liabilities which are attributed mainly to investment properties.

8.7.5.3 Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018

Non-financial liabilities increased by EUR 1,686.8 million, or 20.8%, from EUR 8,115.7 million for the fiscal year ended December 31, 2018 to EUR 9,802.5 million for the fiscal year ended December 31, 2019. The increase was primarily due to an increase in deferred tax liabilities which are attributed mainly to investment properties.

8.7.6 Provisions

Provisions include provisions for pensions and similar obligations, provisions for taxes and other provisions, such as environmental remediation, personnel costs, outstanding trade invoices and miscellaneous other provisions. The following table provides a composition of the Group's pension and similar provisions, provisions for taxes and other provisions as of the dates shown:

	As of December 31,						As of September 30,	
	2020		2019		2018		2021	
	(audited)						(unaudited)	
	(EUR in millions)							
	non-current	*current*	*non-current*	*current*	*non-current*	*current*	*non-current*	*current*
Provisions for pensions and similar obligations	**627.8**	**–**	**569.9**	**–**	**520.6**	**–**	**674.1**	**–**
Provisions for taxes (current income taxes excl. deferred taxes)	**–**	**124.2**	**–**	**211.1**	**–**	**180.3**	**–**	**164.8**
Other provisions:								
Environmental remediation	11.5	–	13.0	–	14.8	0.2	10.8	10.0
Personnel obligations	52.3	56.3	61.7	71.8	60.2	66.6	37.2	97.1
Outstanding trade invoices	–	93.4	–	109.8	–	61.7	–	299.5
Miscellaneous other provisions	19.7	115.1	17.8	137.5	21.1	141.7	57.4	183.3
Total other provisions	**83.5**	**264.8**	**92.5**	**319.1**	**96.1**	**270.2**	**105.4**	**589.9**
Total provisions	**711.3**	**389.0**	**662.4**	**530.2**	**616.7**	**450.5**	**779.5**	**754.7**

8.7.6.1 Nine-month period ended September 30, 2021 compared to the fiscal year ended December 31, 2020

Total (non-current and current) provisions increased by EUR 433.9 million, or 39.4%, from EUR 1,100.3 million for the fiscal year ended December 31, 2020 to EUR 1,534.2 million for the nine-month period ended September 30, 2021. The increase was primarily due to the Deutsche Wohnen Transaction with an amount of provisions of EUR 449.4 million.

8.7.6.2 Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019

Total (non-current and current) provisions decreased by EUR 92.3 million, or 7.7%, from EUR 1,192.6 million for the fiscal year ended December 31, 2019 to EUR 1,100.3 million for the fiscal year ended December 31, 2020. The decrease was primarily due to the decline of provisions for taxes.

8.7.6.3 Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018

Total (non-current and current) provisions increased by EUR 125.4 million, or 11.8%, from EUR 1,067.2 million for the fiscal year ended December 31, 2018 to EUR 1,192.6 million for the fiscal year ended December 31, 2019. The increase was primarily due to additions to provisions for pensions and similar obligations and additions to provisions for taxes.

8.7.7 Contingent liabilities

Contingent liabilities are potential obligations towards third parties arising from past events, whose existence or non-existence will be determined in the future.

The following table provides a composition of the Group's contingent liabilities as of the dates indicated:

	As of December 31,			As of September 30,
	2020	**2019**	**2018**	**2021**
	(audited)			*(unaudited)*
	(EUR in millions)			
Guarantees in connection with Development	120.3	55.4	42.9	148.6
Payment guarantees	–	0.3	7.9	–
Rent surety bonds	1.6	1.1	1.3	1.6
Other	–	27.7	5.9	–
Total contingent liabilities	**121.9**	**84.5**	**58.0**	**150.2**

8.7.7.1 Nine-month period ended September 30, 2021 compared to the fiscal year ended December 31, 2020

Total contingent liabilities increased by EUR 28.3 million, or 23.2%, from EUR 121.9 million for the fiscal year ended December 31, 2020 to EUR 150.2 million for the nine-month period ended September 30, 2021. The increase was primarily due to a higher volume of guarantees in connection with development projects as a result of the rise in construction activities.

8.7.7.2 Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019

Total contingent liabilities increased by EUR 37.4 million, or 44.3%, from EUR 84.5 million for the fiscal year ended December 31, 2019 to EUR 121.9 million for the fiscal year ended December 31, 2020. The increase was primarily due to a higher volume of guarantees in connection with development project as a result of the rise in construction activities.

8.7.7.3 Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018

Total contingent liabilities increased by EUR 26.5 million, or 45.7%, from EUR 58.0 million for the fiscal year ended December 31, 2018 to EUR 84.5 million for the fiscal year ended December 31, 2019. The increase was primarily due to higher other contingent liabilities due to a legal dispute.

8.7.8 Other financial obligations

Other financial obligations include cable TV service contracts, IT service contracts, supply contracts, surcharges under the German Condominium Act (*Wohnungseigentumsgesetz*) and other financial obligations.

The following table provides a composition of the Group's other financial obligations as of the dates indicated:

	As of December 31,			As of September 30,
	2020	**2019**	**2018**	**2021**
	(audited)			*(unaudited)*
	(EUR in millions)			
Investment Obligations	–	–	–	1,036.9

Obligations resulting from acquisition	–	–	–	904.1
Commitments under purchase orders for modernization	–	–	–	481.3
Cable TV service contracts	251.3	283.0	295.7	229.2
IT service contracts	28.5	41.2	41.9	58.3
Supply contracts	–	12.1	13.9	–
Surcharges under the German Condominium Act	0.2	3.3	4.5	8.0
Other	13.7	8.6	4.0	20.1
Total other financial obligations	**293.7**	**348.2**	**360.0**	**2,737.9**

8.7.8.1 Nine-month period ended September 30, 2021 compared to the fiscal year ended December 31, 2020

Total other financial obligations increased by EUR 2,444.2 million, or 832.2%, from EUR 293.7 million for the fiscal year ended December 31, 2020 to EUR 2,737.9 million for the nine-month period ended September 30, 2021. The increase was primarily due to the Deutsche Wohnen Transaction with an amount of financial liabilities of EUR 2,461.2 million.

8.7.8.2 Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019

Total other financial obligations decreased by EUR 54.5 million, or 15.7%, from EUR 348.2 million for the fiscal year ended December 31, 2019 to EUR 293.7 million for the fiscal year ended December 31, 2020. The decrease was primarily due to lower financial obligations for cable TV service contracts and supply contracts.

8.7.8.3 Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018

Total other financial obligations decreased by EUR 11.8 million, or 3.3%, from EUR 360.0 million for the fiscal year ended December 31, 2018 to EUR 348.2 million for the fiscal year ended December 31, 2019. The decrease was primarily due to lower financial obligations for cable TV service contracts.

8.8 Financial Risk Management

In the course of its business activities, the Group is exposed to various financial risks. The Group-wide financial risk management system aims to identify any potentially negative impact on the financial position of the Group early on and take suitable measures to limit this impact. This system was implemented on the basis of Group guidelines, which were approved by the management board and which are continually reviewed. The risks associated with financial instruments and the corresponding risk management are described in detail as follows:

8.8.1 Market risks

8.8.1.1 Currency risks

The cash-effective currency risks arising in connection with the still existing USD bond were eliminated by the simultaneous contracting of cross currency swaps. Liquidity transfers from the German subgroup to Swedish subsidiaries are generally secured through the conclusion of foreign currency forwards. In addition, currency fluctuations are expected to result from financing relationships with Swedish subsidiaries. The loans denominated in euros granted to Swedish subsidiaries (as of December 31, 2019: EUR 1,268.1 million) were converted into SEK loans in 2020, meaning that the loans denominated in Swedish krona increased as of September 30, 2021 to SEK 20,271.3 million (as of December 31, 2020: SEK 20,226.3 million). Based on the exchange rate as of September 30, 2021, a -5% change in the value of the Swedish krona against the euro would result in currency gains of EUR 9.9 million, while a change of +5% would result in a currency loss of EUR 10.0 million. The Group is subject to no further material currency risks in the scope of its usual business activities.

8.8.1.2 Interest rate risks

In the course of its business activities, the Group is exposed to cash-effective interest rate risks as a result of floating-rate debt as well as new and follow-on loans. Within this context, the interest markets are continually monitored by the Group's Finance and Treasury department. Its observations are incorporated into the financing strategy.

As part of its financing strategy, the Group uses derivative financial instruments, in particular interest rate swaps and caps, to limit or manage interest rate risks. The Group's policies permit the use of derivatives only if they are associated with underlying assets or liabilities, contractual rights or obligations and planned, highly probable transactions.

See Note 55 (*Cash Flow Hedges and Stand-alone Interest Rate Swaps*) to the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2020 for a sensitivity analysis of cash flow hedges.

8.8.2 Credit risks

The Group is exposed to a default risk resulting from the potential failure of a counterparty to fulfill its part of the contract. In order to minimize risks, financial transactions are only executed with banks and partners whose credit rating has been found by a rating agency to be at least equivalent to the Group's. These counterparties are assigned volume limits set by the management board. The counterparty risks are managed and monitored centrally by the Group's Finance and Treasury department.

8.8.3 Liquidity risks

The companies of the Group are financed by borrowings to a notable degree. Due to their high volume, the loans are in some cases exposed to a considerable refinancing risk. The liquidity risks arising from financing transactions with high volumes (volume risks) have become apparent in the financial sector, especially in the wake of the financial crisis. In order to limit these risks, Vonovia is in constant contact with many different market players, continuously monitors all financing options available on the capital and banking markets and uses these options in a targeted manner. Moreover, the Group subjects its existing financings to an early review prior to the respective final maturity date in order to ensure refinancing.

Under the conditions of existing loan agreements, the Group is obliged to fulfill certain financial covenants such as the debt service coverage ratio or debt-equity ratio. If financial covenants are violated, the breach is not rectified within so-called cure periods and no mutually acceptable agreement can be reached with the lenders, the financing may be restructured and the cost structure changed. Should all commonly practiced solutions be unsuccessful, the lenders could call in the loan. The fulfillment of these financial covenants is continually monitored by the Group's Finance and Treasury department on the basis of current actual figures and budgetary accounting.

In order to ensure its ability to pay at all times, the Group has put a system-supported cash management system in place. This system monitors and optimizes the Group's cash flows on an ongoing basis and provides the management board with regular reports on the Group's current liquidity situation. Liquidity management is supplemented by short-term rolling, monthly liquidity planning for the current fiscal year, of which the management board is also promptly notified.

The following table shows the forecast for undiscounted cash flows of the non-derivative financial liabilities and derivative financial instruments for the 2020 reporting year. The loan repayments shown for the following years contain only contractually fixed minimum repayment amounts:

	December 31, 2020	2021		2022		2023 to 2027	
	(audited)						
	(EUR in millions)						
	Carrying amount	**Interest**	**Repayment**	**Interest**	**Repayment**	**Interest**	**Repayment**
Non-derivative financial liabilities							
Liabilities to banks	6,909.0	93.0	1,075.0	83.2	410.0	282.6	3,599.0
Liabilities to other creditors	17,060.5	124.5	520.3	216.5	2,172.5	668.8	8,744.8
Deferred interest from other non-derivative financial liabilities	115.2	–	–	–	–	–	–
Lease liabilities.................	495.1	15.1	22.4	14.8	14.2	71.5	40.0
Financial liabilities from tenant financing	163.4	–	118.1	–	2.1	–	10.4
Derivative financial liabilities							
Purchase price liabilities from put options/rights to reimbursement	220.5	–	51.0	–	–	–	27.8
Cash flow hedges/stand-alone interest rate derivatives	72.8	39.2	–	37.5	–	42.7	–
Cash flow hedges (cross currency swap) USD in EUR...............................	(18.4)	(10.2)	–	(10.2)	–	(10.2)	(185.0)
Cash flow hedges (cross currency swap) in EUR......	–	8.5	–	8.4	–	8.4	185.0
Deferred interest from swaps................................	1.3	1.3	–	–	–	–	–

	December 31, 2019	2020		2021		2022 to 2026	
	(audited)						
	(EUR in millions)						
	Carrying amount	**Interest**	**Repayment**	**Interest**	**Repayment**	**Interest**	**Repayment**
Non-derivative financial liabilities							
Liabilities to banks	7,403.0	101.1	892.6	97.1	951.6	301.2	3,542.8
Liabilities to other creditors	16,071.7	147.8	1,385.4	222.8	520.9	755.2	9,319.7

	December 31, 2019	2020		2021		2022 to 2026	
	(audited)						
	(EUR in millions)						
	Carrying amount	**Interest**	**Repayment**	**Interest**	**Repayment**	**Interest**	**Repayment**
Deferred interest from other non-derivative financial liabilities	100.2	–	–	–	–	–	–
Lease liabilities	470.9	13.2	22.8	16.5	15.2	60.4	47.5
Financial liabilities from tenant financing	162.2	–	117.8	–	2.0	–	10.0
Derivative financial liabilities							
Purchase price liabilities from put options/rights to reimbursement	39.0	–	3.3	–	34.0	–	1.7
Cash flow hedges/stand-alone interest rate derivatives	70.8	37.8	–	36.1	–	78.3	–
Cash flow hedges (cross currency swap) USD in EUR	(29.1)	(11.1)	–	(11.1)	–	(22.3)	(185.0)
Cash flow hedges (cross currency swap) in EUR	–	8.5	–	8.5	–	16.8	185.0
Deferred interest from swaps	1.4	1.4	–	–	–	–	–

In September 2019, a buyback offer was made to the investors holding two outstanding EMTN bonds due to mature in March and December 2020. This offer resulted in approx. 40% of the outstanding nominal volume of the two bonds being bought back, meaning that the maturity amounts of these instruments fell from an original amount of EUR 500.0 million to EUR 301.0 million in March 2020, and from an original amount of EUR 1,250.0 million to EUR 752.0 million in December 2020.

8.8.4 Credit line

On September 30, 2021, the Company concluded a syndicated revolving credit facility of up to EUR 2,000.0 million with several banks, led by Commerzbank Aktiengesellschaft, and with an initial term of three years. Loans thereunder bear interest at a rate that is based on EURIBOR or, in relation to any loans denominated in SEK, STIBOR or, in relation to swingline loans, €STR, plus, in each case, an additional margin. This credit line had not been used as of September 30, 2021.

Project-specific credit lines with a total nominal amount of EUR 227.5 million were available on September 30, 2021 in connection with bank-financed development projects. EUR 59.3 million were available under these lines as of September 30, 2021. These credit lines can be utilized based on the progress of the construction work, provided that corresponding evidence is submitted, taking the contractually agreed payment requirements into account.

There is also a guarantee credit agreement in place between the Group and Commerzbank that was increased to EUR 50.0 million in May 2021. Avals of approximately EUR 30.3 million had been drawn from this amount as of September 30, 2021. There is another guarantee credit agreement with Raiffeisen

Bank International AG in the amount of EUR 5.0 million within the conwert subgroup. It had not been drawn by September 30, 2021.

In December 2019, the Company concluded agreements with Atradius Credit Insurance N.V. and Swiss Re International SE for two aval credit lines. The Company has granted a letter of comfort for a further, already terminated general guarantee agreement between BUWOG Bauträger GmbH and VHV Allgemeine Versicherung AG, under which guarantees of EUR 0.4 million are in force as of September 30, 2021. No new guarantees will be issued under this agreement. Within the BUWOG subgroup, there is also a guarantee line that can be used on a revolving basis with UniCredit Bank Austria AG.

As of September 30, 2021, the total volume available under general guarantee agreements came to EUR 166.0 million, EUR 123.6 million of which had been drawn by September 30, 2021. In addition, a project-specific development financing arrangement with Berliner Volksbank eG allows for the possibility of making use of avals, guarantees and/or warrantees. As of September 30, 2021, an amount of EUR 0.2 million was used. In addition, a guarantee from Frankfurter Sparkasse amounting to around EUR 3.0 million had been utilized as of September 30, 2021.

In November 2017, the Group concluded a master commercial paper agreement via its Dutch financing company with a total volume of EUR 500.0 million with Commerzbank AG as lead arranger and several banks as traders. This master program was increased to a total volume of EUR 1,000.0 million in September 2018. No issues were outstanding as part of this program as of September 30, 2021. On November 4, 2021, the master commercial paper agreement was amended and restated. As of November 4, 2021, under the amended and restated master program notes will be issued by the Company directly. The volume of the amended and restated master program was increased to EUR 3,000 million.

All in all, the Group had cash on hand and deposits at banking institutions of EUR 1,274.8 million as of September 30, 2021 (December 31, 2020: EUR 613.3 million). The master credit agreements/the commercial paper program, together with the cash on hand, guarantee the Group's ability to pay at all times.

The Company refers to the information on financial risk management in the management report.

8.9 Information from the Annual Financial Statements of the Company according to the German Commercial Code for the Fiscal Year ended December 31, 2020

Some information from the audited annual financial statements of the Company prepared in accordance with the German Commercial Code (*Handelsgesetzbuch*) as of and for the fiscal year ended December 31, 2020 is presented below. The audited annual financial statements of the Company are reproduced starting on page F-34 *et seqq.* in section "*21 Financial Information*" of this Prospectus.

The Company closed the 2020 fiscal year with a net loss for the year of EUR 53,522,768.55, as against net profit for the year of EUR 419,110,421.17 in 2019. After offsetting this net loss for the year against the profit carried forward from the previous year of EUR 61,352,008.56, the Management Board withdrew EUR 470,000,000.00 from retained earnings and EUR 522,170,759.99 from capital reserves, resulting in a net income for the 2020 fiscal year of EUR 1,000,000,000.00.

The Management Board and the Supervisory Board proposed to the annual shareholders' meeting that, of the net income for the year of the Company for the 2020 fiscal year of EUR 1,000,000,000.00, an amount of EUR 956,349,535.31 on the 565,887,299 shares of the share capital as of December 31, 2020, be paid to the shareholders as a dividend, corresponding to EUR 1.69 per share. The relevant resolution was approved at the annual shareholders' meeting on April 16, 2021.

As of December 31, 2020, the total assets of the Company were EUR 25,777.7 million.

8.10 Estimates and Assumptions

To a certain extent, the preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the reporting date as well as reported amounts of income and expenses during the reporting year. The actual amounts may differ from the estimates as the business environment may develop differently than assumed. In this case, the assumptions and, where necessary, the carrying amounts of the assets or liabilities affected are prospectively adjusted accordingly. Specific estimates and assumptions relating to individual elements of financial statements are also explained in the corresponding notes to the consolidated financial statements.

For a detailed discussion, see Notes 1 (*General Information*) and 8 (*Changes in Accounting Policies, Estimates, Assumptions, Options and Judgments*) to the Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2020.

8.11 Critical Accounting Policies

The preparation of the Group's consolidated financial statements in accordance with IFRS requires management to use estimates and make assumptions and exercise a high degree of judgment that affect the Group's results or financial statements. Some of these estimates, assumptions and judgments are critical to the Group due to the high degree of uncertainty of the relevant parameters at the time they are used or due to various alternatives available to management in making decisions that would lead to significantly different results reflected on the Group's financial statements. For example, uncertainty about certain assumptions and estimates could lead to material adjustments of carrying amounts of the Group's assets or liabilities in future periods.

The Group believes that its critical accounting policies are those relating to accounting for the valuation of properties in its investment portfolio, impairment of Goodwill. Beyond that, critical accounting policies relate to post-employment benefits, the accounting policies for development projects, in particular with regard to the revenue recognition over time. In addition, the treatment of non-controlling interest, either as debt or as equity involves judgement as well as the accounting for deferred taxes.

In addition, in connection with real estate transactions, Vonovia's management had to make discretionary decisions as to whether acquisitions of portfolios constituted business combinations in accordance with IFRS 3 Business Combinations or acquisitions of assets and liabilities. For more information, see Note 3 to the Company's consolidated financial statements as of and for the fiscal year ended December 31, 2020 contained in this Prospectus.

8.11.1 Valuation of investment properties

Currently, the vast majority of the Group's real estate units are classified as investment properties. Investment properties are properties that are held for the purpose of earning rental income, for capital appreciation or both and are not used by the Group in the value creation process or used in the ordinary course of business. Investment properties are measured at Fair Value and any change in Fair Value of investment properties is recognized as profit or loss.

The value of all of the Group's investment properties is determined on an annual basis with periodical reviews for quarterly reporting on the basis of the International Valuation Standard Committee's definition of market value and in accordance with the requirements of IAS 40 in conjunction with IFRS 13. Regularly the valuation of investment properties is updated on a half-year basis at least for the most important properties and reflected in the half-year reporting. In addition, the Group's investment properties were internally revaluated as of September 30, 2021 on account of major market developments and valuation parameters that have an impact on fair values.

The internal valuation is principally based on the DCF Methodology. Under the DCF Methodology, the expected future revenues and expenses of a property are forecast over a period of 10 years and discounted to the date of valuation as the net present value. To determine the forecasted cash flows, various parameters such as market rents, expected rental growth, development of vacancy rates and expected maintenance expenses are taken into account. The market rent is derived for each location from the respective rent index (*Mietspiegel*) and from market data from external service provider. The terminal value of the property at the end of the 10-year observation period is determined using the expected stabilized cash flow and again discounted to the date of valuation as the net present value. The discount rate applied reflects the market situation, location, type of property, special property features (*e.g*. leasehold properties (*Erbbaurechte*), rent restrictions), the yield expectations of a potential investor and the risk associated with the forecast future cash flows of the property. Due to the particular market situation in Austria and in order to reflect the extensive Austrian rent restrictions, a sales scenario involving the recurring sales of apartments is assumed for a sub-portfolio. In order to present these sales in the correct accounting period, the detailed period for the Austrian DCF model has been extended to 100 years. Vonovia derives the market value by deducting from the present value so determined any transaction costs customary in the market such as RETT, brokers' and notaries' fees.

As at December 31, 2020, Vonovia determined the Fair Values for its German and Austrian portfolio of real estate internally in its own valuation department on the basis of the DCF Methodology described above. Additionally, Vonovia instructed CBRE to prepare the Valuation Report for the portfolios which were subject to internal valuation. The internal valuation results were consistent with those of the CBRE appraisal.

The Group's internal valuation deviated for December 31, 2020 by less than 0.1% from the Fair Values determined by CBRE in its Valuation Report. The Fair Values of each valuation unit under the Group's internal valuation deviated by less than 10%, or EUR 100,000, from the Fair Values determined by CBRE. This is not an abnormal range of variance between two independent property valuations in Germany.

For the portfolio in Sweden, the result of the external appraiser Savills in cooperation with Malmöbryggan Fastighetsekonomi AB was applied. The Fair Values for the Swedish portfolio were also calculated using a DCF method that is generally comparable to the procedure used by Vonovia, as explained above, but takes account of specific features of the Swedish real estate market.

In the annual report for the fiscal year ended December 31, 2020, Vonovia has declared investment properties of a total amount of EUR 58.1 billion.

As at December 31, 2019 and 2018, the valuation for the Austrian Portfolio was undertaken by CBRE. For the Swedish portfolio the valuation is undertaken by Savills in Sweden.

The Valuation Reports are included in this Prospectus. The Valuation Reports relate to the Vonovia portfolio as at December 31, 2020 and June 30, 2021, as set out above.

Changes in the valuation assumptions regarding the development of rents, vacancies, maintenance costs, and capitalization and discount rates, which are subject to uncertainties due to their long-term nature, may lead to positive or negative Fair Value adjustments in the future. As at December 31, 2020, an increase in the discount rate and the capitalization rate by 0.25% would lead to a decrease in value of the Group's investment portfolio by 7.7%, while a decline in such rates of 0.25% would result in a corresponding increase in value by 9.2%, provided that all other parameters remain the same. As of the same date, an increase in market rents of 2.0% would lead to an increase in value of the Group's investment portfolio by 2.3%, while a decline in market rents by 2.0% would result in a corresponding decrease by 2.3%, provided that all other parameters remain the same.

8.11.2 Goodwill-impairment

Goodwill as result of a business combination in accordance with IFRS 3 is assigned to cash-generating units. The Goodwill itself is the amount paid in excess of the net-assets valued at Fair Value at acquisition date.

Estimates and judgement is involved when executing this assignment which is essentially based on the involved synergies and the associated favorable income streams. Vonovia has allocated Goodwill to its cash-generating units, which are the regions of the rental-segment, the entire value-add segment as well as to the entire development segment.

As at December 31, 2020 Vonovia discloses a Goodwill of EUR 1,494.7 million on its statement of financial position. Due to IAS 21 Goodwill is subject to currency fluctuation effects, which are predominantly related to the Swedish rental cash-generating unit.

Goodwill is not subject to regular amortization, it has to be tested as required by IFRS for impairment on the level of the cash-generating unit at least on an annual basis or in any case, a triggering event may give an indication for an impairment within the fiscal year. Within the impairment-test, the recoverable amount of the cash-generating unit has to be compared with the carrying value of the net assets of the cash-generating unit. The recoverable amount is either the value-in-use or the fair-value less cost to sell, whichever is higher. Reference is made to the notes of the consolidated financial statements of Vonovia for the year 2020. In so far, the carrying amount exceeds the recoverable amount, the difference has to be written down.

Estimates and judgement is involved when the parameters for the impairment test are determined, in particular, the underlying planning for the cash-generating unit but also the involved interest rates, beta-factors, risk-premium and sustainable growth rate. Furthermore, judgement and estimates are involved when the net assets of the cash-generating unit, the carrying amount of the cash-generating unit is determined.

Vonovia has written down significant amounts of Goodwill of the rental cash-generating units because the carrying amount has grown through the value increase of the investment properties due to the regular IAS 40 valuation and therefore the carrying amount exceeded the recoverable amount.

Goodwill impairment test of the development cash-generating unit also includes the impairment test of the capitalized brand value BUWOG.

8.11.3 Accounting for development assets

The development activities are resulting in buildings to hold for the own use as investment properties or to be sold.

Building under construction to hold as investment properties are disclosed as assets under construction within Investment properties valued at acquisition and construction costs. At the date, when the new building is completed and transferred to its intended use the valuation is undertaken under IAS 40 for investment properties. Estimate and judgement may be involved when the completion date is determined.

Buildings under construction to be sold are either disclosed as inventories in accordance with IAS 2 valued at acquisition and construction costs or under receivables in case the properties are already sold valued using the percentage of completion method. Revenue recognition is following the IFRS 15.

Judgement and estimates are involved when allocating project to be hold or to be sold which may change afterwards from time to time with respective impact on the balance sheet and revenue recognition.

Development projects may involve different separate sub-projects. Allocation of costs to sub-project, the completion rate of different sub-projects and modules as well as the degree of pre-sold units and the application of the percentage of completion method involves estimates and judgement.

8.11.4 Accounting for non-controlling interest

The Group has numerous minority shareholders in its subsidiaries. Those minority shareholders may have certain exit rights to be accounted for. Those shareholdings may lead to a treatment as non-controlling interest within total equity or as financial debt in case it has to be qualified as a put-option for the respective shareholder according to the specific exit rights in the articles of association.

Estimates and judgement are involved when qualifying the respective articles of association of the individual subsidiaries and its minority shareholder.

8.11.5 Impairment test of shareholdings in the individual statutory financial statements

Vonovia and certain subsidiaries are disclosing carrying amounts for shareholdings in Group entities which are subject to impairment test for the individual statutory financial statements. Those impairment tests are undertaken for each shareholding with the DCF-method. Impairments may result in significant write-downs being, in particular, caused when income streams are moved out of the subsidiaries below that shareholding by way or sale or legal reorganization. Those impairments may lead to a loss even on the Company level reducing the net-income on a German GAAP basis.

Estimates and judgement are involved when the DCF value is determined and aggregated alongside the legal structure of the Group.

8.11.6 Post-employment benefits

Expenses relating to post-employment defined benefit obligations are determined on the basis of actuarial calculations. The actuarial calculations are made on the basis of assumptions regarding discount rates, future wage and salary increases, mortality and future pension increases. Such estimates are subject to significant uncertainty due to the long-term nature of these defined benefit obligations. As of December 31, 2020, provisions for pensions and similar obligations amounted to EUR 627.8 million (December 31, 2019: EUR 569.9 million, December 31, 2018: EUR 520.6 million).

9. PROFIT FORECAST

9.1 Introduction

The profit forecast for the fiscal year 2021 presented in this section relates to Adjusted EBITDA Total and Group FFO for Vonovia, which excludes Deutsche Wohnen (the ***Vonovia Profit Forecast***). Vonovia acquired Deutsche Wohnen and gained control as of September 30, 2021. The effects from this acquisition, such as expected synergies, are explicitly not included in the Vonovia Profit Forecast, with exception of FFO interest expenses occurred until first consolidation as part of financing the Deutsche Wohnen Transaction. Moreover tax-effects resulting from acquisition costs were taken into account in the estimate of Vonovia's current income taxes FFO.

The Vonovia Profit Forecast is not a representation of facts and should not be interpreted as such by potential investors. Rather, it is the expectation of the Management Board of Vonovia in relation to the development of Adjusted EBITDA Total and Group FFO. Potential investors should therefore place only limited reliance on the Vonovia Profit Forecast.

For Adjusted EBITDA Total, Vonovia has defined Adjusted EBITDA Total as follows:

Adjusted EBITDA Total is the result before interest, taxes, depreciation and amortization (including income from other operational investments and intragroup profits) adjusted for effects that do not relate to the period or recur irregularly or that are atypical for business operation, and for net income from fair value adjustments to investment properties. These non-recurring items include transaction costs for acquisition and integration projects, personnel matters (e.g. pre-retirement part-time work arrangements and severance payments), research and development costs for analysis of new fields of business, business model optimization for development of new businesses and organizational development, and expenses for refinancing and equity increases (where not treated as capital procurement costs). The Adjusted EBITDA Total is derived from the sum of the Adjusted EBITDA Rental, Adjusted EBITDA Value-add, Adjusted EBITDA Recurring Sales and Adjusted EBITDA Development.

For Group FFO, Vonovia has defined Group FFO as follows:

Group FFO represents the sustainable earnings power of the operating business. It comprises Adjusted EBITDA Total, current interest expense adjusted for special items (FFO interest expense), current income taxes FFO and consolidation effects.

The Vonovia Profit Forecast is based on the assumptions made by Vonovia's Management Board as set out below regarding the development of factors affecting Adjusted EBITDA Total and Group FFO. These assumptions also relate to factors over which Vonovia has no or only limited influence. Even if Vonovia assumes that the assumptions are appropriate at the time of publication of the Vonovia Profit Forecast by Management Board, they could prove to be inaccurate or unfounded in retrospect. If one or more of these assumptions prove to be inaccurate or unfounded, actual Adjusted EBITDA Total and actual Group FFO could differ materially from Vonovia's forecasted Adjusted EBITDA Total and forecasted Group FFO.

Based on the developments in the current fiscal year to September 30, 2021, Vonovia expects Adjusted EBITDA Total at the upper end of the range of EUR 2,055 million to EUR 2,105 million and Group FFO of EUR 1,520 million to EUR 1,540 million for Vonovia, excluding Deutsche Wohnen, for the current fiscal year 2021.

The forecast values take into account sales of larger portfolios as part of the implementation of the portfolio streamlining strategy. Due to the lack of access to the planning system and the forecast of Deutsche Wohnen, the Vonovia Profit Forecast is prepared without taking into account influences from the acquisition of the Deutsche Wohnen.

9.2 Explanations of the Vonovia Profit Forecast

9.2.1 Underlying principles

The Vonovia Profit Forecast of Adjusted EBITDA Total and Group FFO of Vonovia, excluding Deutsche Wohnen, for the fiscal year 2021 have been prepared in accordance with the IDW Accounting Practice Statement on the preparation of profit forecasts and estimates under the special requirements of the prospectus regulation (IDW AcPS AAB 2.003) issued by the Institute of Public Auditors in Germany (***IDW***).

The Vonovia Profit Forecast has been prepared on the basis of the accounting principles of IFRS. The accounting policies applied are presented in the notes to the consolidated financial statements of the Company for the year ended December 31, 2020.

Adjusted EBITDA Total as well as Group FFO are performance measures known as APMs and are not recognized under IFRS and, therefore, should not be considered as a substitute for net income or profit after tax, cash flow from operating activities or other performance measures as determined or defined by IFRS.

The way in which Vonovia measures Adjusted EBITDA Total as well as Group FFO may not be consistent with the way in which these measures, similar measures or measures with similar names are determined by other companies. Accordingly, Adjusted EBITDA Total as well as Group FFO as presented herein may not be comparable to these measures or similar measures or measures with similar names as presented by other companies.

The Vonovia Profit Forecast has been compiled and prepared on a basis which is both (a) comparable with Vonovia's historical financial information included in the Prospectus, *i.e.* the Audited Consolidated Financial Statements and the Unaudited Condensed Interim Consolidated Financial Statements, and (b) consistent with the Company's accounting policies.

The Vonovia Profit Forecast has been prepared solely for inclusion in this Prospectus and represents Vonovia's best estimates as of the date of this Vonovia Profit Forecast (November 19, 2021). It is influenced by a number of factors, the development of which is based on certain assumptions made by Vonovia's Management Board as listed below.

9.3 Factors and Assumptions

9.3.1 Factors that cannot be influenced

The forecasted Adjusted EBITDA Total as well as the Group FFO of Vonovia are subject to factors over which Vonovia has no influence. These factors and the assumptions made by Vonovia regarding their development are set out below:

9.3.1.1 Factor: Unforeseen events

In preparing the Vonovia Profit Forecast, Vonovia assumes that no significant unforeseen event will occur that could lead to significant or prolonged disruptions in the ongoing business of the Group companies, such as force majeure (e.g., fire, floods, hurricanes, storms, earthquakes or terrorist attacks), strikes, extraordinary macroeconomic events or war.

9.3.1.2 Factor: Influence of the Covid-19 pandemic

In preparing the Vonovia Profit Forecast, potential impacts from the Covid-19 pandemic are taken into account, specifically

- the non-recoverability of rents and the temporary waiver of rent adjustments,

- the postponement of modernization and development projects,
- the slight slowdown in residential sales.

Vonovia expects that the ongoing Covid-19 pandemic will not have a significant impact on the key operational and financial figures and therefore will have no impact on future business development.

9.3.1.3 Factor: Legislative and other legal measures

In preparing the Vonovia Profit Forecast, Vonovia assumes that there will be no or only insignificant changes to the existing legal framework and that there will be no significant changes to the law, *e.g.* in rental and tax law, other than in connection with the Berlin Rent Freeze Legislation, which was found unconstitutional and therefore invalid and which changes were already reflected in the preparation of the Vonovia Profit Forecast.

9.3.1.4 Factor: Economic development in general and in the residential real estate sector in particular

For the purposes of the Vonovia Profit Forecast, Vonovia assumes that

- there will be no negative economic development in Germany, Sweden and Austria with the exception of temporary negative effects from the Covid-19 pandemic;
- there will be no negative development in the residential real estate sector, especially in Germany, Sweden and Austria;
- there will be no negative development in the demand for new residential properties and their sales prices, particularly in Germany and Austria, and
- Vonovia can maintain its current competitive position.

9.3.1.5 Factor: Interest rate development

In preparing the forecast for Group FFO, Vonovia assumes that the current interest rate levels will remain stable, with an essentially unchanged financing strategy and financing structure. Since Vonovia has concluded interest rate hedging transactions to a significant extent for the financial liabilities with variable interest rates, Vonovia assumes that there will be no significant negative effects on the financing conditions for the fiscal year 2021 even if the interest rate level changes. This is strengthened by the aspect, that for the fiscal year 2021 there are currently no further financings expected.

9.3.1.6 Factor: Foreign currency development

In preparing the Vonovia Profit Forecast, Vonovia assumes that exchange rate fluctuations – particularly with regard to the Swedish krona – will not have a significant negative impact for the fiscal year 2021.

9.3.2 Factors that can be influenced to a limited extent

Other factors over which Vonovia has limited influence may also affect the amount of the forecasted Adjusted EBITDA Total as well as the forecasted Group FFO of Vonovia for the fiscal year 2021. The main factors as well as the relevant assumptions regarding their development are listed below:

9.3.2.1 Factor: Rental income

Rental income is composed of target rents less rent deductions due to unrented residential units. For the purpose of the Vonovia Profit Forecast, Vonovia assumes rental income for the fiscal year 2021 of approximately EUR 2,300 million to EUR 2,400 million based on current contractual rents. Based on the organizational measures of its planning process and its past experience, Vonovia believes that it can forecast rental income with reasonable certainty for purposes of the Adjusted EBITDA Total and Group FFO. For the purpose of forecasting rental income, Vonovia has made the assumption that the vacancy rate at the end of fiscal year 2021 will be at a comparable level to that at the end of fiscal year 2020. Furthermore, as part of its planning calculation, Vonovia has assumed that the contract rent per square meter will improve by approximately 3.8% (on a like-for-like basis) in fiscal year 2021 compared to the previous year. Furthermore, it is taken into account that the Act on Rent Controls in the Housing Sector in Berlin (*Gesetz zur Mietenbegrenzung im Wohnungswesen in Berlin*) is not constitutional.

9.3.2.2 Factor: Expenditure for maintenance

Maintenance expenses relate to the costs of measures to maintain the substance of Vonovia's residential properties, such as minor repairs, repairs to vacant apartments, major repairs, and payments into maintenance reserves according to the German Condominium Act (*Wohnungseigentumsgesetz*), which are recognized in the income statement. For forecasting purposes, Vonovia assumes that maintenance expenses per square meter in the fiscal year 2021 will remain roughly at the previous year's level.

9.3.2.3 Factor: Operating expenses

All expenses and income in Adjusted EBITDA Total that are not attributable to maintenance, do not represent rental income and do not relate to the Recurring Sales and Development segments are combined under the heading of operating expenses. Accordingly, operating expenses consist of the operating costs of the Rental segment and the results of the Value-Add segment. Vonovia also includes in operating expenses other income from property management that is offset by costs, such as rental subsidies from public-sector bodies. Due to the use of a shared real estate management platform, Vonovia assumes for purposes of the Vonovia Profit Forecast for Germany and Austria that the operating expenses per residential unit in the fiscal year 2021 will decrease moderately in total compared to previous year. In Sweden, operating expenses include costs for heating, water and ancillary costs, as these are borne by the owner. These are therefore dependent on consumption and are not comparable with the operating expenses in Germany and Austria.

9.3.2.4 Factor: FFO interest expense

Within the framework of the planning calculation underlying the forecast of Group FFO for the fiscal year 2021, Vonovia assumes that

- the debt ratio of the overall real estate portfolio will remain roughly stable;
- all credit agreement clauses are complied with;
- the interest rate risk remains low due to the hedging instruments used by Vonovia (in particular interest rate swaps and interest rate caps), which are expected to be effective in fiscal year 2021
- the liquidity risk remains low, as Vonovia assumes that sufficient cash and cash equivalents will be available and that the financing conditions of the current financing agreements can be maintained in the event of credit extensions with the banks, and
- FFO interest expense will decrease slightly compared to previous year due to better financing conditions.

9.3.2.5 Factor: current income taxes FFO

In its forecast of Group FFO, Vonovia assumes that the German corporate income tax rate and trade tax rate will remain unchanged and that there will be no significant changes in the income tax environment or income tax law in fiscal year 2021. Moreover, Vonovia assumes that the income taxes attributable to Group

FFO (excluding taxes on non-core disposals) in fiscal year 2021 will increase moderately compared to the previous year, primarily due to increased income from Recurring Sales.

9.3.2.6 Factor: Non-recurring items

The Vonovia Profit Forecast for the fiscal year 2021 has been prepared without taking into account non-recurring items. However, with regard to current income taxes FFO, specific items have been considered

- costs associated with the Deutsche Wohnen public takeover offer,
- current income taxes, in the determination of which – to the extent permissible – the expected expenses for non-recurring items have been taken into account in a tax-reducing manner.

9.3.2.7 Factor: Recurring Sales

The Recurring Sales segment comprises the regular and sustained sales of individual condominiums and single-family homes from Vonovia's privatization portfolio. As of the forecast date, Vonovia expects to sell approximately 2,800 residential units at a premium above fair value of more than 35% in fiscal year 2021.

In this context, Vonovia's own analysis of the German market, depending on the returns to be achieved and future potential for value growth, forms the basis for all sales decisions. To better calculate the growth potential and forecast the development of the local markets, Vonovia has developed a proprietary scorecard. In addition to the expected large-scale demographic developments, Vonovia incorporates the local market knowledge of its regions and sees their in-depth knowledge of the respective local market as a key differentiating factor and competitive advantage.

9.3.2.8 Factor: Development

In preparing the Vonovia Profit Forecast, Vonovia assumes that the existing project pipeline can be realized within the originally planned cost and time frame and at the planned selling prices. This includes in particular that

- both, construction risks in the development process such as delays in building permits, delays in the supply of certain materials and products, rising construction costs, and a lack of qualified third-party contractors,
- as well as sales risks, such as declining market demand, delays in construction acceptances, or realization of development to sell projects to institutional investors (Global Exits),

will not have a material impact on the Vonovia Profit Forecast.

9.3.3 Factors that can be influenced

The following factors within Vonovia's control may also affect Adjusted EBITDA Total and Group FFO for the fiscal year 2021:

9.3.3.1 Factor: Costs for modernization measures

In the event of a change of tenants, Vonovia can determine the amount to be invested in new rentals to leverage rental potential. The amount of the costs incurred in the process affects the rent on new rentals. In addition to refurbishing residential units to improve the standard of living or to convert residential units to make them senior-friendly, Vonovia also carries out ongoing modernization of its residential properties. These include energy-saving measures, modernization at the request of tenants, the development of residential neighborhoods, or investments in the construction of new residential units or the addition of more floors to existing properties. In the planning calculation on which the Vonovia Profit Forecast is based, Vonovia assumes that the costs for modernization measures, including the addition of new floors to buildings, and new construction in the Development segment for its own real estate portfolio in fiscal year

2021 will be in the range of EUR 1,300 million to EUR 1,600 million. Vonovia has taken into account the possible rent increases resulting from the modernization and new construction when planning its rental income.

9.3.3.2 Factor: Housing-related services (Value-add)

The Value-add segment combines all housing-related services that complement the core rental business. These services include maintenance and modernization services for Vonovia's properties as well as services closely related to the rental business. The main basis for this is the strategic insourcing approach and the associated optimized process management and maximum cost control.

In preparing the Vonovia Profit Forecast, Vonovia assumes that the activities of the craftsmen and residential environment organization, the residential property management business, the cable TV business, metering services, energy supply, and insurance services, which are included in the value-add business, will increase slightly in fiscal year 2021.

9.3.3.3 Factor: Development

Vonovia makes an important contribution to alleviating the housing shortage through its real estate development activities. By internalizing process steps in its own value chain, residential construction projects can be managed in a stringent and targeted manner and cost synergies can be exploited with regard to technical solutions and the pooling of purchasing volumes. The internal mapping of the main parts of the real estate value chain enables additional earnings contributions to be generated. This is reflected in particular in

- the control of the construction process, e.g. by controlling the service award procedure, consistent construction cost controlling when using purchasing bundling effects, flexible service provider selection as well as equipment features,
- the use of effective distribution channels, such as bills of exchange, brokers or alternative distribution channels (e.g. real estate funds) to sell to private or institutional customers, as well as
- of price adjustments as part of the sales process.

9.4 Other Explanatory Notes

The Vonovia Profit Forecast of Adjusted EBITDA Total and Group FFO do not take into account extraordinary results and results from non-recurring activities as defined in the IDW Accounting Practice Statement (IDW AcPS AAB 2.003).

As the Vonovia Profit Forecast relates to a period not yet completed and has been prepared on the basis of assumptions about future uncertain events and actions (factors), it is inherently subject to significant uncertainties. Due to these uncertainties, it is possible that the actual Adjusted EBITDA Total and the actual Group FFO of Vonovia for the fiscal year 2021 may differ materially from the forecasted figures. The Vonovia Profit Forecast 2021 was prepared on November 19, 2021.

10. DEUTSCHE WOHNEN TRANSACTION

10.1 Overview of the Deutsche Wohnen Transaction

Vonovia's original attempt to acquire all shares in Deutsche Wohnen by way of voluntary public takeover offer to all shareholders of Deutsche Wohnen against payment of a cash consideration of EUR 52.00 per Deutsche Wohnen share was published on June 23, 2021. On July 26, 2021, Vonovia announced that the required minimum acceptance threshold had not been reached at the expiration date of the acceptance period and that, therefore, the original offer has not been successful.

On August 1, 2021, Vonovia announced its agreement with Deutsche Wohnen to launch a new voluntary public takeover offer subject to BaFin's waiver to grant an exemption from the one-year waiting period pursuant to section 26 paragraph 2 German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) for the announcement and submission of a new voluntary takeover offer. The waiver was granted by BaFin on August 5, 2021.

Subsequently, on August 23, 2021, Vonovia published a new voluntary public takeover offer to all shareholders of Deutsche Wohnen to acquire all shares in Deutsche Wohnen against payment of a cash consideration of EUR 53.00 per Deutsche Wohnen share. On September 13, 2021, Vonovia announced that it waived all offer conditions in its voluntary public takeover offer. The results of the new voluntary public takeover offer were announced on October 26, 2021. The Deutsche Wohnen Transaction ultimately closed on November 2, 2021. At the date of this Prospectus, Vonovia holds 87.6% of the voting rights in Deutsche Wohnen.

To finance the Deutsche Wohnen Transaction and other related payments and transaction costs, Vonovia entered into the Bridge Facilities Agreement. As of September 30, 2021, the total commitments under facility A of the Bridge Facilities Agreement amounted to EUR 7.6 billion and the total commitments under facility B amounted to EUR 9.4 billion. The total commitment under facility B was subsequently canceled in the amount of EUR 1.4 billion to amount to EUR 8.0 billion effective as of November 5, 2021. See "*13.12.2 Financing agreement*" for further information about the Bridge Facilities Agreement. Vonovia intends to use net proceeds of EUR 7,918 million from this Offering to repay amounts drawn down under the Bridge Facilities Agreement.

In order to finance the Deutsche Wohnen Transaction as well as upcoming repayments, Vonovia issued five unsecured corporate bonds on June 9, 2021, with total proceeds of EUR 4 billion and an average coupon of 0.6875% as well as another five unsecured corporate bonds on August 26, 2021, with total proceeds of EUR 5 billion and an average coupon of 0.49%.

A further source of financing for the Deutsche Wohnen Transaction results from the "Future and Social Pact for Housing", according to which Vonovia, Deutsche Wohnen and the State of Berlin have agreed to sell the Berlin Portfolio to the real-estate companies of the State of Berlin, the municipal housing companies Berlinovo Immobilien Gesellschaft mbH, degewo AG and HOWOGE Wohnungsbaugesellschaft mbH, in September 2021. In relation to the sale of apartments from the Vonovia Portfolio, the majority of the transactions are share deals and, in relation to the sale of apartments from the Deutsche Wohnen Portfolio, the majority are asset deals. Closing is expected to take place on January 1, 2022 and, in relation to the sale to Berlinovo Immobilien Gesellschaft mbH, on July 1, 2022.

For a discussion of risks related to the Deutsche Wohnen Transaction and the Group's ability to realize the targeted synergies and other anticipated benefits, see "*1.3 Risks Related to the Deutsche Wohnen Transaction*". For further indications of the effects the Deutsche Wohnen Transaction is expected to have on the Group's business and results of operation, see "*8.2.1.1 Deutsche Wohnen Transaction*" and "*11 Pro-Forma Consolidated Financial Information*".

10.2 Reasons for the Deutsche Wohnen Transaction

10.2.1 Reasons for the Deutsche Wohnen Transaction and strategy

Vonovia pursues the strategy of strengthening its position as one of the leading European residential real estate companies. This strategy includes growth through acquisitions, in addition to managing its properties for the purpose of increasing the value, pursuing a sustainable financing strategy, optimizing the existing portfolio, and expanding the breadth and scope of the value-added process, with a special focus on Vonovia's reputation and customer satisfaction.

In the opinion of Vonovia's Management Board and Supervisory Board, the strategies pursued by Vonovia and Deutsche Wohnen have converged in key aspects in recent years. Both companies have aligned their respective business activities with the relevant megatrends in the residential real estate market (urbanization and the consequent mismatch between supply and demand; climate change and reduction of CO_2 emissions of the building stock; demographic change and age-appropriate adjustments of apartments; digitalization), and attach central importance to sustainability-oriented business activities as well as tenant-oriented and socially responsible conduct. The real estate portfolios of the two companies complement each other almost ideally in terms of geography and weighting, and together offer a balanced, well-diversified portfolio with a strong presence in the key growth regions in Germany. Therefore, Vonovia's Management Board and Supervisory Board believe that the combination of Deutsche Wohnen and Vonovia would result in strategic, operational and value-enhancing benefits for all parties involved.

The economic and strategic background to the combination of Vonovia and Deutsche Wohnen, on the one hand, is the realization of economies of scale through the joint management of both portfolios and joint purchase; such economies of scale are important in the housing industry and will better enable both companies to meet the major challenges on the housing market, including the shortage of affordable and age-appropriate housing in metropolitan areas and the energy-efficient refurbishment of existing housing as a contribution to meeting climate protection targets. On the other hand, through the combination of Vonovia and Deutsche Wohnen, Vonovia pursues the development of additional value creation potential by intensifying the implementation of its value creation strategy into the Deutsche Wohnen Portfolio, *i.e.* by expanding the range of customer-oriented services that are closely related to the rental business. Vonovia and Deutsche Wohnen together provide attractive, affordable, and secure living space to around 570,000 households in Europe. As the market leader in Germany in terms of the number and Fair Value of residential properties, the Group is ideally positioned to play a major role in the German real estate sector.

On a European level, the combination leads to a more prominent position of the Group within the European business community. On a global level, the Group is a leading real estate company, with a total portfolio value of around EUR 95.4 billion as of September 30, 2021 pursuant to the Unaudited Condensed Interim Consolidated Financial Statements.

10.2.2 Synergies

According to Vonovia's estimates, the joint management of the real estate portfolios of Vonovia and Deutsche Wohnen enables synergies of approximately EUR 105 million per year, which are expected to be fully realized by the end of 2024 and will result in implementation costs of approximately EUR 200 million. Vonovia expects that these synergies mainly result from the joint operational management of the portfolio and the merging of overhead functions, the intensified implementation of Vonovia's value creation strategy in the Deutsche Wohnen Portfolio as well, and lower costs due to the provision of additional services by Vonovia's own craftsmen's organization, as well as from joint purchasing and further standardization in modernization and maintenance. Vonovia has not yet included potential cost savings from joint financing in its calculations.

10.2.3 Stabilization of the housing market in Berlin

Through the Deutsche Wohnen Transaction, Vonovia and Deutsche Wohnen pursue a sustainable contribution to the long-term stabilization of the housing market in Berlin, and work together to address the major challenges on the Berlin housing market in a further improved and more efficient manner, which also serves the interests of tenants. This involves maintaining and modernizing their current housing stock and creating new, affordable housing. Vonovia and Deutsche Wohnen further intend to support the strategy of the Senate of Berlin to buy back housing stocks. To this end Vonovia and Deutsche Wohnen, in a "Future and Social Pact for Housing" and subject to further negotiation, are offering the Senate of Berlin, in particular:

- to limit regular rent increases, across their overall housing stock in Berlin, to a maximum of 1% per year over the next three years and to inflation compensation in the two years thereafter;
- to construct 13,000 new apartments in Berlin over the next years and to realize a ratio of 30% of subsidized housing in all future new construction projects in Berlin;
- to promote living space for young families by committing to offer 4-room apartments in construction projects to families with children at a rent that is reduced by 10% below the average price for new rentals of newly constructed apartments in the relevant districts;
- to promote the prevention of homelessness by providing a three-digit number of apartments to homeless people in the long term; and
- to contribute to the expansion of the municipal housing stock in Berlin by offering to the State of Berlin to purchase around 20,000 apartments from their portfolios (whereby the sale of the Berlin Portfolio in the amount of 15,000 apartments to the real-estate companies of the State of Berlin was concluded in September 2021).

10.3 Business Combination Agreement

On August 1, 2021, Vonovia and Deutsche Wohnen entered into a business combination agreement (the ***Business Combination Agreement***). The subject matter of the Business Combination Agreement was a joint understanding of the strategic objectives of Vonovia and Deutsche Wohnen regarding the intended future corporate structure, the intended integration process, the procedural steps for, and the fundamental support of, the offer by the management board and the supervisory board of Deutsche Wohnen. In addition, Deutsche Wohnen approved the exemption from the exclusion period pursuant to section 26 paragraph 2 German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*), as subsequently granted by BaFin to Vonovia on August 5, 2021.

The Business Combination Agreement has a term of two years from the date of its conclusion. Each party may terminate the Business Combination Agreement if the other party violates material obligations under the Business Combination Agreement.

10.3.1 Cooperation and future corporate governance

Vonovia and Deutsche Wohnen have agreed on the foundations of their cooperation in the Business Combination Agreement. In particular, both parties have undertaken to cooperate with each other, to an economically reasonable extent, in planning an optimized financing structure of Deutsche Wohnen and the Group as a whole. This also includes Deutsche Wohnen's obligation to support Vonovia on consolidating Deutsche Wohnen into the consolidated financial statements (annual and interim financial statements) and on financial reporting. In addition, the parties have agreed to cooperate in order to jointly leverage synergies to the extent permitted by law.

Vonovia and Deutsche Wohnen agreed in the Business Combination Agreement that, following the closing of the Deutsche Wohnen Transaction and in acknowledgement of their relevant corporate competences, they will seek to appoint Deutsche Wohnen's current chief executive officer, Mr. Michael Zahn, and Deutsche Wohnen's current management board member, Mr. Philip Grosse, as members of Vonovia's Management Board. Mr. Michael Zahn is to become deputy chairman of the Management Board with responsibility for human resources, portfolio controlling & valuation (to be renamed asset management & portfolio), healthcare, integration and transactions (portfolio acquisitions & sales). Mr. Philip Grosse is to be appointed to the Management Board as the member responsible for the finance division with responsibility for the areas assigned to this division, with the exception of areas assigned to other Management Board divisions in accordance with the Business Combination Agreement. As a member of Vonovia's Management Board, Ms. Helene von Roeder is to take over the newly created innovation and digitalization division with the areas of value add (including insurance), Vonovia Immobilien Treuhand, BUWOG Immobilien Treuhand, IT and procurement (excluding procurement governance). Below the Management Board, Vonovia aims to establish an executive committee with the participation of the Management Board members. Membership is to consist of the current members of Deutsche Wohnen's management board, Mr. Henrik Thomsen and Mr. Lars Urbansky, as well as other persons to be appointed by Vonovia. Finally, Vonovia and Deutsche Wohnen, in compliance with corporate law competencies, aim to appoint two persons to the Supervisory Board of Vonovia – one of whom being a woman, if possible – whom Deutsche Wohnen will recommend to the Supervisory Board of Vonovia for this purpose prior to closing of the transaction.

In addition, Vonovia and Deutsche Wohnen agreed in the Business Combination Agreement that, in accordance with corporate law competencies, they will seek to appoint Vonovia's current Management Board member, Ms. Helene von Roeder, as member of Deutsche Wohnen's supervisory board.

Following the closing of the Deutsche Wohnen Transaction, all of the aforementioned measures will be implemented and are expected to become effective as of January 1, 2022, subject to the required approvals.

In addition, Vonovia irrevocably undertook not to conclude a domination and/or profit and loss transfer agreement with Deutsche Wohnen for a minimum period of three years from the date the Business Combination Agreement was concluded.

10.3.2 Business activities by Vonovia and Deutsche Wohnen, use of assets, financial liabilities and future obligations of Vonovia and Deutsche Wohnen

Following the closing of the Deutsche Wohnen Transaction, Deutsche Wohnen became a subsidiary of Vonovia and hence part of the Group. The name of the Group remains "Vonovia SE". At the same time, the name "Deutsche Wohnen" is to be retained and maintained as a core quality brand.

Vonovia agreed in the Business Combination Agreement to refinance Deutsche Wohnen if required, in the event the financial liabilities as described below were terminated or otherwise became due for repayment as a result of the closing of the Deutsche Wohnen Transaction. In its interim financial statements as of September 30, 2021, Deutsche Wohnen reported financial liabilities (including current liabilities) of EUR 6,308.8 million, liabilities from convertible bonds (including current liabilities) of EUR 1,619.1 million, and liabilities from corporate bonds (including current liabilities) of EUR 4,055.8 million, *i.e.* total liabilities from financing instruments of EUR 11,983.7 million (together the ***Deutsche Wohnen Financing Instruments***). Deutsche Wohnen Financing Instruments might include so-called change of control provisions, which stipulate special repayment obligations for affected debtors from Deutsche Wohnen or termination rights of creditors in the event of a change of control. In addition, Deutsche Wohnen Financing Instruments might also include other termination rights which were triggered in connection with, or as a consequence of, the Deutsche Wohnen Transaction (*e.g.* cross-default provisions that allow creditors of a Deutsche Wohnen Financing Instrument to terminate such Deutsche Wohnen Financing Instrument and call for repayment if other liabilities of Deutsche Wohnen are not paid when due, are called for repayment prior to their agreed maturity, or if creditors are entitled to declare their claims due). In the event the conditions of termination rights were fulfilled, it cannot be ruled out that individual banks and other lenders may wish, or be required, to terminate existing Deutsche Wohnen Financing Instruments with Deutsche Wohnen, and exercise termination rights for these or other reasons.

According to the Business Combination Agreement, Deutsche Wohnen informed Vonovia on August 25, 2021 about its decision to service its convertible bonds 2017/2024 and its convertible bonds 2017/2026 that are converted under the change of control provisions by issuing new Deutsche Wohnen shares. It cannot be ruled out that other Deutsche Wohnen Financing Instruments may include similar change of control provisions or provisions that creditors are entitled to call for repayment for other reasons.

For the purpose of refinancing the Deutsche Wohnen Financing Instruments, Vonovia has access to the facility in the amount of EUR 15.6 billion under the Bridge Facilities Agreement, to the extent that EUR 10,631.9 million of such facility were already required for the financing of the total transaction costs for the Deutsche Wohnen Transaction.

Vonovia and Deutsche Wohnen further agreed in the Business Combination Agreement, to the extent permitted by law, to cooperate with each other, to an economically reasonable extent, in planning an optimized financing structure of Deutsche Wohnen and the Vonovia Group as a whole. This included, in particular, that Vonovia was granted access, to the extent permitted by law, to relevant information of Deutsche Wohnen, in particular regarding existing change of control clauses in financing agreements or other agreements of Deutsche Wohnen, and for the purposes of preparing annual and interim financial statements, financial reporting, and performing necessary preparatory work. Vonovia further intended, to the extent possible, to avoid the exercise of any repayment option, termination, or other economic adjustment rights in financing agreements.

10.3.3 Relationship Agreement

The Company and Deutsche Wohnen are currently in discussions about the conclusion of an agreement that is intended to contain certain key principles that would govern the future relationship and cooperation between the Company and Deutsche Wohnen (the ***Relationship Agreement***). Among other things, the Company envisages agreeing a legal framework with Deutsche Wohnen that allows the group members to collaborate, cooperate, align and share information on certain matters in order to facilitate the management of the Group as a whole (including Deutsche Wohnen), in particular with regard to (i) the preparation of consolidated financial statements, prospectuses, other mandatory reports, tax returns and business planning, (ii) compliance with the Group's organizational and compliance duties, including reporting and capital markets related obligations, (iii) the alignment on external communications, where legally possible, and on corporate social responsibility matters, and (iv) the establishment of efficient reporting, risk and other management structures.

10.4 Business Overview of Deutsche Wohnen

Deutsche Wohnen is a publicly listed property company managing and developing a property portfolio comprised of approximately 157,600 residential and commercial units as well as nursing properties with around 9,270 beds and 1,030 places for assisted living. The business activities of Deutsche Wohnen are limited to holding company activities carried out for the entities of Deutsche Wohnen. This includes, in particular, the areas of IT, corporate finance, accounting, controlling, human resources, marketing, investor relations, corporate communication and legal/compliance. The operating subsidiaries focus on residential property management, acquisitions and disposals of participations, the nursing and assisted living segment as well as the new construction segment. The business strategy focuses on properties in metropolitan areas and conurbations with a population of 500,000 or more, with the greater Berlin area forming the core market and accounting for approximately 69.5% of the total residential portfolio.

The *residential property management* segment is the core segment of the business activities of Deutsche Wohnen. It comprises the "letting portfolio" and includes all activities related to the management and administration of residential properties, as well as the management of tenancy agreements, tenant support, the technical maintenance of holdings and the development of the portfolio.

The business segment *disposals/acquisitions* relates to the "disposal portfolio"; it includes all activities associated with the sale of residential units, buildings and land. The residential property portfolio of Deutsche Wohnen is divided into (i) block sales (institutional sales) and (ii) individual privatization activities (also described as individual sales or residential unit privatization). The residential property portfolio designated for block sales (institutional sales) is comprised of residential units in non-core regions, *i.e.* those regions that do not align with Deutsche Wohnen's long-term business strategy. In the current market environment, Deutsche Wohnen also carries out sales of land from the core and growth regions, *i.e.* the so-called Core+ and Core regions, in connection with disposals to institutional investors. Some residential units in Core+ and Cores regions form part of the residential property portfolio because they were purchased as part of larger portfolio acquisitions. They include mainly residential units and buildings in rural regions, as well as some buildings that are not part of a housing complex. Furthermore, Deutsche Wohnen is continuously evaluating acquisition opportunities for properties and land in metropolitan areas and conurbations.

In *the nursing and assisted living* segments, Deutsche Wohnen primarily manages nursing and retirement homes located on its own properties under the brands KATHARINENHOF and PFLEGEN & WOHNEN HAMBURG and rents out own facilities to various external operators for long-term management. These facilities offer full in-patient nursing care to residents so that they can maintain an independent lifestyle for as long as possible. In addition, as part of the assisted living concept, Deutsche Wohnen also provides the residents with comprehensive services tailored to their needs. The nursing segment focuses on cities and regions with positive economic development, specifically Hamburg, Berlin and Saxony.

The *new construction* segment focuses on the development of new property portfolios in the core and growth regions by targeted project developments through subsidiaries. In addition, properties are developed for sale. This includes land purchasing, legal preparations for the planning process, project conception, site management and the tracking of construction warranties. Moreover, Deutsche Wohnen holds a 40% stake in QUARTERBACK Immobilien AG (***QUARTERBACK***, and together with its consolidated subsidiaries ***QUARTERBACK Group***), a real estate project development company based in Leipzig, through which it has access to new construction projects in the core markets. Deutsche Wohnen has and expects to continue to purchase development projects from QUARTERBACK. Deutsche Wohnen is represented on QUARTERBACK's supervisory board. Deutsche Wohnen also has a nomination right for one additional member (in each case excluding the supervisory board's chair) and holds customary minority rights which are backed by a catalogue of reserved matters that was agreed between Deutsche Wohnen and QUARTERBACK's other shareholders in connection with the acquisition. As part of the further development of its construction activities, Deutsche Wohnen sold Isaria München Projektentwicklungs GmbH to the QUARTERBACK Group for EUR 12 million in the first quarter of 2021, thereby merging the expertise of Deutsche Wohnen in the field of new construction developments into QUARTERBACK Group.

In the 2020 fiscal year, Deutsche Wohnen had an average of 1,339 employees allocated to the residential property management segment and an average of 3,984 employees in the nursing operations segment.

10.4.1 Portfolio

As of September 30, 2021, the portfolio of Deutsche Wohnen comprised approximately 157,600 residential and commercial units. As of September 30, 2021, the average monthly in-place rent in the portfolio of Deutsche Wohnen amounted to EUR 7.17 per sqm and the vacancy rate amounted to approximately 1.6%. In addition, the real estate portfolio of Deutsche Wohnen included nursing properties with around 9,270 beds and 1,030 places for assisted living.

A valuation of the residential and commercial real estate portfolio was carried out by JLL as of December 31, 2020 using a DCF model in accordance with the provisions of IAS 40 and with the standards of RICS in line with the Red Book, with the exception of nursing assets. According to this valuation, the real estate portfolio of Deutsche Wohnen had a value of EUR 25.99 billion in total as of December 31, 2020 (including commercial properties, but excluding nursing properties and assisted living and rights of use from leases). The valuation of the nursing properties and assisted living was carried out by Wüest & Partner as of December 31, 2020 using a DCF model in accordance with the provisions of IAS 40 and with the standards of RICS in line with the Red Book, with a combined estimated value of EUR 1.2 billion.

Deutsche Wohnen currently divides its residential real estate portfolio into strategic core and growth regions, as well as non-core regions. In addition, within the strategic core and growth regions, Deutsche Wohnen makes a distinction between Core+ and Core regions. The basis for the portfolio management is the regional and strategic clustering of the real estate portfolio. The regional clustering in Core+, Core and Non-Core segments is based on a scoring model which evaluates the attractiveness and economic prospects of geographic regions on the basis of macroeconomic, socio-demographic and property-specific data.

As of September 30, 2021, 96.0% of Deutsche Wohnen's residential units were located in the Core+ regions. ***Core+ regions*** encompass metropolitan areas and conurbations which are characterized by a dynamic development of economic parameters such as economic strength, income, innovative potential and competitive strength as well as by an excess demand for living space. As of September 30, 2021, a further 3.9% of the residential units were located in ***Core regions*** that are characterized by moderately rising rents and stable market development forecasts. These markets are characterized by a balanced supply and demand situation, a positive economic environment, stable economic perspectives, average purchasing power and a steady number of households. Only 0.1% of the properties or 218 residential and small commercial units were located in Non-Core regions as of September 30, 2021. The ***Non-Core regions*** are defined as geographic regions with stagnating growth and/or negative economic outlook. These consist mainly of rural areas and properties that are not part of a larger housing complex.

10.5 Management's Discussion and Analysis of Net Assets, Financial Condition and Results of Operation

The following is a discussion and analysis of Deutsche Wohnen's net assets, financial condition and results of operation for the nine-month period ended September 30, 2021 and 2020 as well as for the fiscal years ended December 31, 2020 and 2019. For more information see the Audited Consolidated Financial Statements of Deutsche Wohnen on page F-424 and the Unaudited Interim Consolidated Financial Statements of Deutsche Wohnen beginning on page F-394.

10.5.1 Profit for the period

The following table shows the consolidated profit and loss statement for the fiscal years ended December 31, 2020 and 2019 as well as for the nine-month period ended September 30, 2021 and 2020:

	Fiscal year ended December 31,		Nine-month period ended September 30,	
	2020	**2019**	**2021**	**2020**
	(audited)		*(unaudited)*	
	(EUR in millions)			
Income	2,742.2	2,246.0	1,326.4	1,532.3
Cost of materials and carrying amounts of properties sold	(1,768.9)	(1,100.0)	(594.7)	(806.4)
Staff expenses	(231.8)	(211.6)	(177.0)	(173.1)
Other operating expenses	(104.0)	(154.7)	(124.3)	(80.9)
Other operating income	56.3	96.5	59.7	39.4
Impairment losses on financial assets	(7.1)	(3.1)	(4.9)	(5.2)
EBITDA before gains/losses from the fair value adjustment of investment properties	**686.7**	**873.1**	**485.2**	**506.1**
Depreciation, amortization and impairment	(40.0)	(42.9)	(29.1)	(29.2)
Gains/losses from the fair value adjustment of investment properties	1,856.4	1,401.1(1)	1,484.2	171.7
Earnings before interest and taxes (EBIT)	**2,503.1**	**2,231.3**	**1,940.3**	**648.6**
Earnings from investments accounted for using the equity method	8.9	2.8	(16.5)	32.1(2)
Financial result	(268.3)	(129.5)(1)	(452.6)	(224.8)
Earnings before taxes (EBT)	**2,243.7**	**2,104.6**	**1,471.2**	**455.9(2)**
Income taxes	(699.1)	(503.7)	(630.6)	(118.0)
Profit/loss for the period	**1,544.6**	**1,600.9**	**840.6**	**337.9(2)**

(1) Previous year's figure changed due to exercise of IAS 23 option.
(2) Previous year's figure changed due to finalization of the purchase price allocation of the QUARTERBACK transaction.

Profit for the nine-month period ended September 30, 2021

Profit for the nine-month period ended September 30, 2021 increased to EUR 840.6 million by EUR 502.7 million from EUR 337.9 million as stated for the nine-month period ended September 30, 2020. The increase was primarily due to increased valuation gains. Covid-19 has not had a material impact on Deutsche Wohnen's financial position and earnings to date.

Profit for the fiscal year ended December 31, 2020

Profit for the fiscal year ended December 31, 2020 fell year-on-year by EUR 56.3 million to EUR 1,544.6 million. Operating earnings declined slightly, while the higher year-on-year result of the fair value valuation of investment properties was more than offset by the negative valuation result for the convertible bonds due to the positive share performance, each after deferred taxes.

10.5.1.1 Adjusted earnings before taxes (Adjusted EBT)

The following table shows the calculation of adjusted earnings before taxes (Adjusted EBT) for the fiscal years ended December 31, 2020 and 2019 as well as for the nine-month period ended September 30, 2021 and 2020:

	Fiscal year ended December 31,		Nine-month period ended September 30,	
	2020	2019	2021	2020
	(audited, unless otherwise indicated)		*(unaudited)*	
	(EUR in millions)			
Earnings before taxes (EBT)	2,243.7	2,104.6	1,471.2	455.9(4)
Gains/losses from the valuation of properties(*)(1)	(1,855.1)	(1,400.7)(2)	(1,484.8)	(171.7)
Valuation gains on disposal realized in the fiscal year(*)	288.3	0.0	29.7	46.9(3)
Amortization of goodwill	0.0	2.0	–	–
Net income from fair value adjustment to financial instruments	106.9	(28.5)	347.2	102.1
Non-recurring expenses and income(*)	34.8	31.7	53.0	33.5(5)
Adjusted earnings before taxes (Adjusted EBT)	**818.6**	**709.1(2)**	**416.3**	**466.7(3)(4)(5)**

(*) Unaudited figures.
(1) Including IAS 2.
(2) Previous year’s figure changed due to exercise of IAS 23 option.
(3) Previous year’s figure changed.
(4) Previous year’s figure changed due to finalization of the purchase price allocation of the QUARTERBACK transaction.
(5) Method of calculation changed: Interest income from loans to the QUARTERBACK Group is no longer included in the adjusted profit before tax. The previous year's figures were changed accordingly.

Adjusted earnings before taxes for the nine-month period ended September 30, 2021

At EUR 1,354.3 million, the result from the valuation of real estate in the amount of EUR 1,484.8 million resulted mainly from the revaluation of investment properties, with EUR 129.9 million from sales-induced gains from the valuation of non-current assets held for sale at agreed selling prices and from EUR 0.6 million from write-downs and write-ups on the carrying amounts of land and buildings held for sale.

The sales-induced valuation gains for real estate sales with the transfer of risks and rewards in the reporting period were realized as a sales success.

The result from the fair value adjustment of financial instruments (expense in the amount of EUR 347.2 million for the nine-month period ended September 30, 2021; nine-month period ended September 30, 2020: expenses EUR 102.1 million) includes the valuation results from convertible bonds, interest rate hedging transactions and other derivatives recognized through profit or loss. The significant non-cash contribution to earnings relates to convertible bonds (expense in the amount of EUR 353.7 million for the nine-month period ended September 30, 2021; nine-month period ended September 30, 2020: expenses in the amount of EUR 89.1 million). This valuation loss is attributable to the takeover offer by Vonovia and the associated positive price development of the Deutsche Wohnen shares. Income from the measurement of derivative financial instruments and other derivatives amounted to EUR 6.5 million (nine-month period ended September 30, 2020: expense EUR 13.0 million).

The non-recurring expenses and income for the nine-month period ended September 30, 2021 mainly included expenses in connection with the takeover offer by Vonovia, namely consulting expenses of EUR 53.0 million and personnel expenses for originally long-term compensation components in the amount of EUR 6.1 million. In addition, non-recurring financial expenses of EUR 11.8 million were realized. The non-recurring income included the gain of EUR 10.2 million from the sale of the shares in Isaria München Projektentwicklungs GmbH, and the financial income from the QUARTERBACK Group in the amount of EUR 19.8 million.

In the nine-month period ended September 30, 2020, the one-off expenses of EUR 20.0 million mainly related to real-estate transfer taxes incurred in connection with the takeover of the project business of Munich-based ISARIA Wohnbau AG (together with its consolidated subsidiaries, ***ISARIA Group***).

Adjusted earnings before taxes for the fiscal year ended December 31, 2020

Gains from the valuation of properties comprise the revaluation of investment properties, disposal-related valuation gains from the valuation of non-current assets held for sale at agreed sales prices, and valuation adjustments to land and buildings held for sale.

The disposal-related valuation gains from property sales with the transfer of risks and rewards in the reporting year are recognized as disposal gains.

The result of the fair value adjustment to financial instruments includes the net valuation realized through profit or loss of convertible bonds, interest rate hedges, other derivatives and equity interests classified as financial instruments.

The main non-cash earnings contribution for the fiscal year ended December 31, 2020 related to the convertible bonds (expenses of EUR 96.2 million; previous year: income of EUR 58.0 million), which is due to interest rate movements and the positive performance of the Deutsche Wohnen shares. Expenses from the measurement of derivative financial instruments for the fiscal year ended December 31, 2020 came to EUR 12.6 million (previous fiscal year: EUR 29.5 million).

For the fiscal year ended December 31, 2020, non-recurring expenses and income included financing costs (EUR 4.0 million; previous fiscal year: EUR 13.1 million), other expenses (EUR 33.8 million; previous fiscal year: EUR 87.2 million), financial income (EUR 3.0 million; previous fiscal year: EUR 9.1 million) and other income (EUR 0.0 million; previous fiscal year: EUR 59.5 million).

For the fiscal year ended December 31, 2020, non-recurring financing costs mainly related to expenses for the early repayment of loans and interest rate hedges (EUR 4.0 million; previous fiscal year: EUR 8.5 million) and in the previous year interest expenses for the corporate bond partially redeemed in the second quarter of 2019 (EUR 4.5 million).

Non-recurring other expenses in the fiscal year ended December 31, 2020 consisted mainly of project and transaction-related expenses. Of the total, EUR 22.0 million relates to land transfer taxes, which arose in connection with a business combination accounted for in accordance with IFRS 3. This business combination entailed the acquisition of the project business of ISARIA Group, which was completed on July 1, 2020.

The amount of non-recurring other expenses and income in 2019 is mainly due to the ongoing appraisal proceeding in connection with the control agreement signed in 2014 between Deutsche Wohnen and GSW Immobilien AG (***GSW***), which will probably result in a higher compensation payment to the external shareholders.

Adjusted earnings before taxes for the fiscal year ended December 31, 2020 rose year-on-year by EUR 109.5 million or 15.4% to EUR 818.6 million due to higher disposal profits.

10.5.1.2 Income

The following table shows the income for the fiscal years ended December 31, 2020 and 2019 as well as for the nine-month period ended September 30, 2021 and 2020:

	Fiscal year ended December 31,		Nine-month period ended September 30,	
	2020	2019	2021	2020
	(audited)		*(unaudited)*	
	(EUR in millions)			
Income from residential property management	1,197.8	1,191.7	900.5	926.9
Income from nursing operations	226.1	222.9	172.7	169.6
Rental income from nursing assets	38.2	45.5	25.3	30.0
Other income	21.7	18.6	16.4	14.8
Income from sold properties	1,251.6	767.3	197.3	386.3
Income from sold properties (development)	6.8	0.0	14.2	4.7
Income	**2,742.2**	**2,246.0**	**1,326.4**	**1,532.3**

Income for the nine-month period ended September 30, 2021

Income from residential property management decreased by 2.8% to EUR 900.5 million for the nine-month period ended September 30, 2021. At EUR 29.5 million, this included the additional payment claims arising up to May 31, 2021 due to the invalidity of the Berlin Rent Freeze Legislation, of which EUR 11.0 million relate to rental periods before January 1, 2021. From June 1, 2021, tenants were again charged the rents permitted by the German Civil Code (*Bürgerliches Gesetzbuch*). Due to sales, revenues fell slightly compared to the same period of the previous year.

At EUR 172.7 million, income from nursing operations remained at the previous year's level. In the nine-month period ended September 30, 2021 and 2020, the nursing operations segment managed a comparable number of facilities.

Rental income from nursing assets decreased by 15.7% from EUR 30.0 million in the nine-month period ended September 30, 2020 to EUR 25.3 million in the nine-month period ended September 30, 2021 due to sales.

Other income increased by 10.8% from EUR 14.8 million in the nine-month period ended September 30, 2020 to EUR 16.4 million in the nine-month period ended September 30, 2021. Other income mainly included revenues from multimedia and related services by SYNVIA media GmbH (together with its consolidated subsidiaries, ***SYNVIA Group***) (EUR 10.1 million; nine-month period ended September 30, 2020: EUR 8.7 million) and from the leasing of broadband cables (EUR 3.7 million; nine-month period ended September 30, 2020: EUR 4.1 million).

Income from sold properties decreased by EUR 189.0 million from EUR 386.3 million in the nine-month period ended September 30, 2020 to EUR 197.3 million in the nine-month period ended September 30, 2021. At EUR 152.8 million (nine-month period ended September 30, 2020: EUR 348.2 million), the lower sales volume compared to the same period of the previous year was mainly attributable to institutional sales. In the nine-month period ended September 30, 2020, revenues from the sale of twelve nursing homes were mainly included, while the proceeds from the sale in the 2021 fiscal year related exclusively to land with residential and commercial buildings.

Income from sold properties (development) included only proceeds for ongoing project developments that have already been sold to third parties.

Income for the fiscal year ended December 31, 2020

Income from residential property management for the fiscal year ended December 31, 2020 rose by 0.5% from EUR 1,191.7 million to EUR 1,197.8 million. Property disposals reduced income, whereas acquisitions, rental increases and higher income from ancillary costs led to an overall increase compared with the previous fiscal year.

Income from nursing operations for the 2020 fiscal year ended December 31, 2020 was 1.4% up on the previous fiscal year. In the periods shown the nursing operations segment had a comparable number of facilities.

Rental income from nursing assets for the fiscal year ended December 31, 2020 fell due to disposals by 16.0% from EUR 45.5 million to EUR 38.2 million.

Other income for the fiscal year ended December 31, 2020 went up by 16.7% from EUR 18.6 million to EUR 21.7 million. It consists mainly of revenue from multimedia and other services by SYNVIA Group (EUR 12.9 million; previous fiscal year: EUR 10.3 million) and from the rental of broadband connections (EUR 5.4 million; previous fiscal year: EUR 5.1 million).

Income from the disposal of properties increased by EUR 484.3 million from EUR 767.3 million to EUR 1,251.6 million for the fiscal year ended December 31, 2020. EUR 1,200.4 million of the higher amount (previous fiscal year: EUR 677.3 million) came from institutional sales, in particular two portfolio transactions for managed properties and one portfolio transaction for nursing assets.

Income from sold properties (development) were realized for the first time in 2020. They consist solely of income from the ISARIA Group, which has been fully consolidated since July 1, 2020, for ongoing development projects that have already been sold to third parties.

10.5.1.3 Cost of materials and carrying amounts of properties sold

The following table shows the year-on-year change in the cost of materials and carrying amounts of properties sold for the fiscal years ended December 31, 2020 and 2019 as well as for the nine-month period ended September 30, 2021 and 2020:

	Fiscal year ended December 31,		**Nine-month period ended September 30,**	
	2020	**2019**	**2021**	**2020**
	(audited)		*(unaudited)*	
	(EUR in millions)			
Carrying amount of properties sold	(1,221.0)	(569.6)	(192.6)	(379.4)
Carrying amount of properties sold (development)	(7.3)	0.0	(13.5)	(4.7)
Cost of materials and services	(540.6)	(530.4)	(388.6)	(422.3)
Cost of materials and carrying amounts of properties sold	**(1,768.9)**	**(1,100.0)**	**(594.7)**	**(806.4)**

Carrying amounts of properties sold for the nine-month period ended September 30, 2021

Carrying amounts of properties sold decreased by EUR 186.8 million from EUR 379.4 million in the nine-month period ended September 30, 2020 to EUR 192.6 million in the nine-month period ended September 30, 2021. Carrying amounts of properties sold related to the sale of properties with the transfer of risks and rewards, which are accounted for and measured accordingly in accordance with IAS 40, IAS 2 or IFRS 5. The decrease in carrying amounts of properties sold compared to the same period of the previous year is attributable to the lower sales volume.

Carrying amount of properties sold (development) related to the ongoing project developments of the ISARIA Group, which have already been sold to third parties.

Carrying amounts of properties sold for the fiscal year ended December 31, 2020

The carrying amounts of properties sold for the fiscal year ended December 31, 2020 increased by EUR 651.4 million from EUR 569.6 million to EUR 1,221.0 million. They stem from the sale and transfer of risks and rewards of properties accounted for and measured in accordance with IAS 40, IAS 2 or IFRS 5. The year-on-year increase in the carrying amount of properties sold was due to the higher volume of disposals.

Carrying amounts of development properties sold relate to ongoing development projects at the ISARIA Group that have already been sold to third parties.

Costs of materials

The cost of materials and services changed as follows for the fiscal years ended December 31, 2020 and 2019 as well as for the nine-month period ended September 30, 2021 and 2020:

	Fiscal year ended December 31,		**Nine-month period ended September 30,**	
	2020	**2019**	**2021**	**2020**
	(audited)		*(unaudited)*	
	(EUR in millions)			
Operating costs	(362.6)	(358.1)	(266.7)	(293.9)
Maintenance	(133.1)	(131.8)	(91.9)	(95.1)
Other cost of materials	(44.9)	(40.5)	(30.0)	(33.3)
Cost of materials and services	**(540.6)**	**(530.4)**	**(388.6)**	**(422.3)**

Operating costs and maintenance related to the corresponding expenses in all segments.

Other cost of materials for the nine-month period ended September 30, 2021 mainly consisted of deliveries of goods and services for nursing operations (EUR 23.0 million; nine-month period ended September 30, 2020: EUR 19.5 million), sales (EUR 1.6 million; nine-month period ended September 30, 2020: EUR 6.2 million) and input services at the SYNVIA Group (EUR 4.8 million; nine-month period ended September 30, 2020: EUR 4.8 million).

Other cost of materials for the fiscal year ended December 31, 2020 mainly consisted of deliveries of goods and services for nursing operations (EUR 27.0 million; previous fiscal year: EUR 26.6 million), sales costs (EUR 7.8 million; previous fiscal year: EUR 6.6 million) and input services at the SYNVIA Group (EUR 6.9 million; previous fiscal year: EUR 4.4 million).

10.5.1.4 Staff expenses

Staff expenses incurred in all segments and Deutsche Wohnen functions were made up as follows for the fiscal years ended December 31, 2020 and 2019 as well as for the nine-month period ended September 30, 2021 and 2020:

	Fiscal year ended December 31,		Nine-month period ended September 30,	
	2020	**2019**	**2021**	**2020**
	(audited)		*(unaudited)*	
	(EUR in millions)			
Wages and salaries	(194.1)	(177.8)	(147.3)	(144.1)
Social security contributions, retirement and other benefits	(37.7)	(33.8)	(29.7)	(29.0)
Staff expenses	**(231.8)**	**(211.6)**	**(177.0)**	**(173.1)**

Staff expenses for the nine-month period ended September 30, 2021

Staff expenses for the nine-month period ended September 30, 2021 increased by 2.3% from EUR 173.1 million for the nine-month period ended September 30, 2020 to EUR 177.0 million. The majority of the staff expenses were attributable to the nursing operations (EUR 106.8 million; nine-month period ended September 30, 2020: EUR 105.3 million). In addition, changes in variable remuneration and in the valuation of share-price-based remuneration led to a slight increase in staff expenses.

Staff expenses for the fiscal year ended December 31, 2020

Staff expenses for the fiscal year ended December 31, 2020 went up by 9.5% from EUR 211.6 million to EUR 231.8 million, the majority of which was for the nursing operations (EUR 140.1 million; previous fiscal year: EUR 129.3 million). The increase in staff expense was due to new recruitment, pay increases, changes in the measurement of share-based variable bonuses and the full consolidation of the ISARIA Group as from July 1, 2020.

10.5.1.5 Other operating expenses

The following table shows the year-on-year change in other operating expenses for the fiscal years ended December 31, 2020 and 2019 as well as for the nine-month period ended September 30, 2021 and 2020:

	Fiscal year ended December 31,		Nine-month period ended September 30,	
	2020	**2019**	**2021**	**2020**
	(audited)		*(unaudited)*	
	(EUR in millions)			
Operating and corporate expenses	(49.6)	(48.9)	(40.1)	(47.6)
Miscellaneous other operating expenses	(54.4)	(105.8)	(84.2)	(33.3)
Other operating expenses	**(104.0)**	**(154.7)**	**(124.3)**	**(80.9)**

Operating and corporate expenses

Operating and corporate expenses in all segments and Deutsche Wohnen functions are made up as follows for the fiscal years ended December 31, 2020 and 2019 as well as for the nine-month period ended September 30, 2021 and 2020:

	Fiscal year ended December 31,		Nine-month period ended September 30,	
	2020	**2019**	**2021**	**2020**
	(audited)		*(unaudited)*	
	(EUR in millions)			
IT costs	(12.9)	(10.8)	(11.3)	(14.5)
Legal, advisory and audit costs, insurance	(12.6)	(11.9)	(8.1)	(11.4)
Communication costs	(7.4)	(7.1)	(7.6)	(6.3)
Other staff costs	(5.1)	(5.4)	(3.4)	(3.3)
Cost of premises	(4.7)	(3.5)	(3.8)	(3.2)
Other operating and corporate expenses	(6.9)	(10.2)	(5.9)	(8.9)
Operating and corporate expenses	**(49.6)**	**(48.9)**	**(40.1)**	**(47.6)**

Miscellaneous other operating expenses for the nine-month period ended September 30, 2021

Miscellaneous other operating expenses for the nine-month period ended September 30, 2021 and 2020 were largely determined by non-recurring expenses.

Miscellaneous other operating expenses for the fiscal year ended December 31, 2020

Miscellaneous other operating expenses for the fiscal year ended December 31, 2020 were largely determined by transactions and non-recurring expenses.

10.5.1.6 Other operating income

Other operating income for the nine-month period ended September 30, 2021

Other operating income for the nine-month period ended September 30, 2021 increased by EUR 20.3 million from EUR 39.4 million for the nine-month period ended September 30, 2020 to EUR 59.7 million. Other operating income mainly included insurance payments in property management and capitalized own work for the management of construction projects. The nine month period ended September 20, 2021 also included gains of EUR 10.2 million from the sale of the shares in Isaria München Projektentwicklungs GmbH as well as compensation of EUR 12.4 million for loss of income and additional expenses as a result of Covid-19 (nine-month period ended September 30, 2020: EUR 5.7 million).

Other operating income for the fiscal year ended December 31, 2020

Other operating income for the fiscal year ended December 31, 2020 fell by EUR 40.2 million from EUR 96.5 million to EUR 56.3 million. It mainly included insurance payments in property management and capitalized own work for the management of construction projects. In fiscal year ended December 31, 2020 it also included compensation of EUR 9.5 million from nursing care funds for loss of income and additional expenses as a result of Covid-19. Non-recurring income of EUR 54.7 million was recognized in the fiscal year ended December 31, 2019 from the appraisal proceedings in connection with the control agreement signed in 2014 between Deutsche Wohnen and GSW.

10.5.1.7 Depreciation, amortization and impairment

The following table shows depreciation, amortization and impairment for the fiscal years ended December 31, 2020 and 2019 as well as for the nine-month period ended September 30, 2021 and 2020:

	Fiscal year ended December 31,		Nine -month period ended September 30,	
	2020	2019	2021	2020
	(audited)		*(unaudited)*	
	(EUR in millions)			
Depreciation	(11.0)	(10.9)	(9.0)	(8.1)
Amortization	(7.8)	(10.2)	(4.2)	(5.3)
Depreciation of right-of-use assets	(21.2)	(19.8)	(15.9)	(15.8)
Amortization of goodwill	0.0	(2.0)	–	–
Depreciation, amortization and impairment	**(40.0)**	**(42.9)**	**(29.1)**	**(29.2)**

Depreciation, amortization and impairment for the nine-month period ended September 30, 2021

The depreciation and amortization mainly included depreciation of right-of-use assets held as property, plant and equipment in the context of lease accounting, as well as depreciation of level 4 broadband cable networks and the amortization of customer contracts acquired in the course of the business combination with the PFLEGEN&WOHNEN HAMBURG Group.

Impairment losses on financial assets for the nine-month period ended September 30, 2021 decreased by EUR 0.3 million from EUR 5.2 million for the nine-month period ended September 30, 2020 to EUR 4.9 million and were mainly incurred in the Property Management segment for loss allowances and derecognition of rent receivables.

Depreciation, amortization and impairment for the fiscal year ended December 31, 2020

Depreciation and amortization for the fiscal year ended December 31, 2020 mainly consisted of depreciation of right-of-use assets held as property, plant and equipment in the context of lease accounting (EUR 21.2 million; previous fiscal year: EUR 19.8 million), as well as depreciation of level 4 broadband cable networks and the amortization of customer contracts acquired in the course of the business combination with the PFLEGEN&WOHNEN HAMBURG Group.

Gains of EUR 1,856.4 million from the fair value adjustment of investment properties for the fiscal year ended December 31, 2020 (previous fiscal year: EUR 1,401.1 million) consisted of EUR 1,653.9 million from revaluation (IAS 40 Investment Property) and EUR 203.6 million from measurement at sales prices (IFRS 5), as well as EUR -1.1 million from measurement changes for right-of-use assets.

Impairment losses on financial assets for the fiscal year ended December 31, 2020 rose by EUR 4.0 million from EUR 3.1 million to EUR 7.1 million and were mainly incurred in the Property Management segment for loss allowances and derecognition of rent receivables.

10.5.1.8 Financial result

The following table shows the financial results for the fiscal years ended December 31, 2020 and 2019 as well as for the nine-month period ended September 30, 2021 and 2020:

	Fiscal year ended December 31,		Nine-month period ended September 30,	
	2020	2019	2021	2020
	(audited)		*(unaudited)*	
	(EUR in millions)			
Current interest expenses	(145.8)	(135.5)	(110.2)	(105.0)
Accrued interest on liabilities and pensions	(30.7)	(25.9)	(16.8)	(28.1)
Capitalized interest expenses	8.8	5.6[(1)]	11.0	6.0
Non-recurring expenses in connection with financing	(4.0)	(13.1)	(11.8)	(3.3)
Fair value adjustment to financial instruments	(10.7)	(29.5)	6.5	(13.0)
Fair value adjustment to convertible bonds	(96.2)	58.0	(353.7)	(89.1)
Sub-total	**(278.6)**	**(140.4)[(1)]**	**(475.0)**	**(232.5)**
Financial income	10.3	10.9	22.4	7.7
Financial result	**(268.3)**	**(129.5)[(1)]**	**(452.6)**	**(224.8)**

(1) Previous year's figure changed due to exercise of IAS 23 option.

Financial result for the nine-month period ended September 30, 2021

Current interest expenses were higher for the nine-month period ended September 30, 2021 compared to the nine-month period ended September 30, 2020, principally due to the higher volume of financial liabilities and corporate bonds.

Accrued interest on liabilities and pensions for the nine-month period ended September 30, 2021 consisted mainly of expenses for the early repayment of loans.

For investment property, Deutsche Wohnen made use of the option under IAS 23 to capitalized borrowing costs for qualifying assets accounted for at fair value for the first time from the second half of 2020. This was done because of the increasing importance of the project development business for Deutsche Wohnen's own portfolio.

In the nine-month period ended September 30, 2021, the non-recurring expenses in connection with financing included a positive contribution to earnings of EUR 2.0 million from the reversal of provisions for statutory default interest in the ongoing award proceedings in connection with the domination agreement concluded in 2014 between Deutsche Wohnen and GSW. Further non-recurring expenses of EUR 12.8 million resulted from disposal-related earnings shares of external shareholders in subsidiaries in the legal form of partnerships.

In the nine-month period ended September 30, 2021, changes in long-term interest rates caused the negative market values of derivative financial instruments (interest rate hedges) to decrease. To the extent that these financial instruments do not form part of an effective hedging relationship, the fair value adjustment is recognized as an income in the financial result. In addition, valuation changes for other derivatives were included in the nine-month period ended September 30, 2020.

The change in the financial result for the nine-month period ended September 30, 2021 compared to the same period of the previous year is mainly due to the increased expenses from the fair value adjustment of the convertible bonds above the original total nominal amount of EUR 1,600.0 million. As at September 30, 2021, a nominal value of EUR 379.0 million had been converted into Deutsche Wohnen shares; a nominal amount of EUR 1,221.0 million is still outstanding. Conversion declarations for a nominal amount of EUR 894.8 million were available for these outstanding convertible bonds as September 30, 2021. As of September 30, 2021, there were no conversion declarations or terminations for convertible bonds for the nominal amount of EUR 326.2 million. The price development of the convertible bonds follows the share price of Deutsche Wohnen. The convertible bonds of Deutsche Wohnen are recognized in the consolidated balance sheet of Deutsche Wohnen at fair value. As a result, the positive price development of Deutsche Wohnen shares resulted in a valuation loss of EUR 353.7 million (nine-month period ended September 30, 2020: valuation loss of EUR 89.1 million). This is due to the takeover offer of Vonovia and the resulting increase in the price of Deutsche Wohnen shares as well as to the conversion prices regulated in the bond conditions in the event of a change of control.

In the nine-month period ended September 30, 2021, financial income increased compared to the same period of the previous year, due to higher interest income from investee companies, which was mainly attributable to the QUARTERBACK Group.

Financial result for the fiscal year ended December 31, 2020

Current interest expenses were higher for the fiscal year ended December 31, 2020 compared to the previous fiscal year, principally due to the higher volume of financial liabilities and corporate bonds.

Accrued interest on liabilities and pensions for the fiscal year ended December 31, 2020 consisted mainly of expenses for the early repayment of loans.

For the fiscal year ended December 31, 2020, Deutsche Wohnen made use of the option in IAS 23 of capitalizing borrowing costs for qualifying assets accounted for at fair value for the first time for the investment properties. This concerns the project development business according to ISARIA Group, which has been fully consolidated in Deutsche Wohnen since July 1, 2020. In line with IAS 8 the previous fiscal year's figures were changed accordingly for the effects of capitalizing borrowing costs.

Non-recurring expenses in connection with financing stemmed mainly from the early repayment of loans and interest rate hedges.

Changes in long-term interest rates caused the negative market values of derivative financial instruments (interest rate hedges) to go up. To the extent that these financial instruments do not form part of an effective hedging relationship, the fair value adjustment is recognized as an expense in the financial result. In the fiscal year ended December 31, 2020 valuation changes for other derivatives and equity investments classified as financial instruments were also included here.

The year-on-year changes in the financial result for the fiscal year ended December 31, 2020 are principally due to the increase in expenses from the fair value adjustment of convertible bonds with a total nominal value of EUR 1,600 million. The price of the convertible bonds follows the share price of Deutsche Wohnen. The convertible bonds are held at fair value in the consolidated balance sheet. The rise in the Deutsche Wohnen share price therefore resulted in a valuation loss on the convertible bonds of EUR 96.2 million (previous fiscal year: valuation gain of EUR 58.0 million).

The slight decline in financial income for the fiscal year ended December 31, 2020 from EUR 10.9 million to EUR 10.3 million is due to non-recurring interest income in the fiscal year ended December 31, 2019 in connection with the ongoing GSW appraisal proceedings. Current interest income went up in the fiscal year ended December 31, 2020, by contrast, due to higher interest income from investee companies, particularly the QUARTERBACK Group.

10.5.1.9 Interest cover ratio

The coverage ratio of EBITDA (adjusted) before disposals to current interest expenses less interest income is as follows for the fiscal years ended December 31, 2020 and 2019 as well as for the nine-month period ended September 30, 2021 and 2020:

	Fiscal year ended December 31,		Nine-month period ended September 30,	
	2020	2019	2021	2020
	(unaudited)		*(unaudited)*	
	(EUR in millions, unless otherwise indicated)			
EBITDA (adjusted) before disposals	704.8	718.6	547.4	546.9
Current interest expenses and interest income[(1)]	136.9	126.1	88.8	100.5
Interest cover ratio (ICR) (as ratio)	**5.1**	**5.7**	**6.2**	**5.4**

(1) Current interest expenses and interest income do not include interest income from finance leases for broadband cable networks.

Interest cover ratio for the nine-month period ended September 30, 2021

Earnings from investments for the nine-month period ended September 30, 2021 accounted for using the equity method decreased by EUR 48.6 million to EUR -16.5 million from EUR 32.1 million for the nine-month period ended September 30, 2020. It includes the joint venture companies and associates attributable to Deutsche Wohnen. The decrease is mainly due to investments in companies of the QUARTERBACK Group. The prior-year period also included income generated as part of the first-time valuation of individual QUARTERBACK investments.

Interest cover ratio for the fiscal year ended December 31, 2020

The interest cover ratio for the fiscal year ended December 31, 2020 went down due to the higher debt compared to the fiscal year ended December 31, 2019.

Earnings from investments for the fiscal year ended December 31, 2020 accounted for using the equity method rose by EUR 6.1 million from EUR 2.8 million to EUR 8.9 million and includes for the first time the earnings contributions of the QUARTERBACK Group, the joint venture companies and associates attributable to Deutsche Wohnen. EUR 6.5 million of the increase came from the equity interests in entities in the QUARTERBACK Group, in which Deutsche Wohnen invested in the second half of the fiscal year ended December 31, 2020.

10.5.1.10 Income taxes

The following table shows the year-on-year change in income taxes for the fiscal years ended December 31, 2020 and 2019 as well as for the nine-month period ended September 30, 2021 and 2020:

	Fiscal year ended December 31,		Nine-month period ended September 30,	
	2020	2019	2021	2020
	(audited, unless otherwise indicated)		*(unaudited)*	
	(EUR in millions)			
Current income taxes[(*)]	(24.0)	(30.3)[(1)]	(23.0)	(23.1)
Income taxes due to disposals[(*)]	(43.4)	(9.4)[(1)]	(9.6)	(14.4)
Income tax share of expenses for the capital increase[(*)]	0.0	(0.1)	–	–
Non-recurring income tax effects[(*)]	(3.7)	20.8	(12.2)	0.0

Deferred taxes(*)	(628.0)	(484.7)	(585.8)	(80.5)
Income taxes	**(699.1)**	**(503.7)**	**(630.6)**	**(118.0)**

(*) Unaudited figures.
(1) Previous year's figure amended.

Income taxes for the nine-month period ended September 30, 2021

Income taxes resulted in expenses of EUR 630.6 million for the nine-month period ended September 30, 2021 (nine-month period ended September 30, 2020: expenses of EUR 118.0 million). This consists of EUR 585.8 million in expenses from deferred taxes (nine-month period ended September 30, 2020: expenses of EUR 80.5 million) and expenses for current and sales-related income taxes of EUR 32.6 million (nine-month period ended September 30, 2020: expenses of EUR 37.5 million). The amount of deferred taxes was particularly due to the adjustment of the current values of investment properties and convertible bonds as well as to the absence of tax loss carryforwards as part of the takeover by Vonovia. To a lesser extent, current income taxes were also affected by the takeover, as the losses incurred by income tax executive bodies incurred in the current fiscal year 2021 up to the takeover were lost.

Income taxes for the fiscal year ended December 31, 2020

Income taxes resulted in expenses of EUR 699.1 million in the fiscal year ended December 31, 2020 (previous fiscal year: expenses of EUR 503.7 million). This consists of EUR 628.0 million in expenses from deferred taxes (previous fiscal year: expenses of EUR 484.7 million) and expenses for current and sales-related income taxes of EUR 67.4 million (previous fiscal year: expenses of EUR 39.7 million). The amount of deferred taxes was particularly due to the adjustment to the fair values of investment properties and convertible bonds. The one-off effects in income taxes in the fiscal year ended December 31, 2019 resulted largely from dissolving accruals.

10.5.2 Segment earnings

The following table shows the earnings contributions of the individual segments for the fiscal years ended December 31, 2020 and 2019 as well as for the nine-month period ended September 30, 2021 and 2020:

	Fiscal year ended December 31,		**Nine-month period ended September 30,**	
	2020	**2019**	**2021**	**2020**
	(audited)		*(unaudited)*	
	(EUR in millions)			
Segment earnings:				
Earnings from residential property management	720.4	729.8	560.8	553.9
Earnings from disposals	20.4	186.1	0.8	(1.6)
Earnings from nursing operations(1)	46.9	45.3	38.4	34.1
Earnings from nursing assets(1)	35.1	43.0	23.3	27.9
Earnings not attributable to a segment	(136.1)	(131.1)	(138.1)	(108.2)
Depreciation, amortization and impairment	(40.0)	(42.9)	(29.1)	(29.2)
Gains/losses from the fair value adjustment of investment properties	1,856.4	1,401.1	1,484.2	171.7
Earnings before interest and taxes (EBIT) / segment earnings	**2,503.1**	**2,231.3**	**1,940.3**	**648.6**

(1) Figures disclosed without internal rental expenses.

10.5.2.1 Earnings from residential property management

The following table shows portfolio key figures as at the reporting dates for the fiscal years ended December 31, 2020 and 2019:

	Fiscal year ended December 31,	
	2020	**2019**
	(unaudited)	
	(EUR in millions)	
Residential and commercial units	158,284.0	164,044.0
Residential and commercial space in thousand sqm	9,753.0	10,139.0
Fair value per sqm residential and commercial areas in EUR	2,683.0	2,394.0
Current gross rental income for living space per sqm in EUR	6.7	6.9
Like-for-like rental growth in %	1.3	3.4
Residential vacancy rate in %	1.7	1.8
Maintenance costs per sqm/year in EUR 1[(1)]	10.4	9.9
Capital expenditure per sqm/year in EUR[(1)]	25.8	35.5

(1) Based on the average surface area on a quarterly basis in each period.

The following table shows the earnings from residential property management for the fiscal years ended December 31, 2020 and 2019 as well as for the nine-month period ended September 30, 2021 and 2020:

	Fiscal year ended December 31,		Nine-month period ended September 30,	
	2020	**2019**	**2021**	**2020**
	(unaudited)			
	(EUR in millions)			
Contracted rental income	837.6	837.3	634.2	634.5
Income from operating costs	365.4	359.4	268.7	295.0
Rental income	**1,203.0**	**1,196.7**	**902.9**	**929.5**
Operating costs	(356.2)	(350.7)	(263.2)	(288.0)
Rental loss	(11.5)	(7.1)	(7.9)	(8.5)
Maintenance	(105.0)	(102.4)	(67.1)	(72.6)
Other	(9.9)	(6.7)	(3.9)	(6.5)
Earnings from residential property management	**720.4**	**729.8**	**560.8**	**553.9**
Staff, general and administration expenses	(54.0)	(54.5)	(41.4)	(40.2)
Net operating result (*NOI*)	**666.4**	**675.3**	**(519.4)**	**(513.7)**
NOI margin in %	79.6	80.7	(81.9)	(81.0)
NOI in EUR per sqm and month[(1)]	5.5	5.5	(5.93)	(5.59)
Change in NOI in EUR per sqm and month in %	0.7	-	6.1	-

(1) Based on the average surface area on a quarterly basis in each period.

Earnings from residential property management for the nine-month period ended September 30, 2021

Earnings from residential property management for the nine-month period ended September 30, 2021 increased by EUR 6.9 million or 1.2% to EUR 560.8 million from EUR 553.9 million for the nine-month period ended September 30, 2020.

In its decision of March 25, 2021 (published on April 15, 2021), the Federal Constitutional Court (*Bundesverfassungsgericht*) declared the Berlin Rent Freeze Legislation unconstitutional and therefore invalid. At EUR 29.5 million, the contractual rental income included the additional payment claims arising up to May 31, 2021 due to the invalidity of the Berlin Rent Freeze Legislation, of which EUR 11.0 million relate to rental periods before January 1, 2021. From June 1, 2021, tenants were again charged the rents permitted by the German Civil Code (*Bürgerliches Gesetzbuch*). Due to sales, revenues from contract rents and operating costs fell compared to the same period of the previous year.

Earnings from residential property management for the fiscal year ended December 31, 2020

Earnings from Residential Property Management for the fiscal year ended December 31, 2020 fell year-on-year by EUR 9.4 million or 1.3% to EUR 720.4 million, mainly due to higher rent collection and maintenance expenses. At the same time contracted rental income went down because of the effects of the Berlin Rent Freeze Legislation and property disposals.

Net operating result for the nine-month period ended September 30, 2021

Income from operating costs for the nine-month period ended September 30, 2021 exceeded the expenses for operating costs, because accounting for leases meant that various expenses were not included in the operating costs. In the nine-month period ended September 30, 2021 these related to lease expenses for metering and heat contracting of EUR 13.8 million (nine-month period ended September 30, 2020: EUR 14.5 million). As a proportion of contracted rental income this represents an NOI margin of 2.2% (nine-month period ended September 30, 2020: 2.3%).

The amount of the rental losses is mainly related to the increase in rental receivables due to the additional payment claims recognized as of September 30, 2021 as a result of the invalidity of the Berlin Rent Freeze Legislation, some of which have been deferred in the longer term via installment payments.

Net operating result for the fiscal year ended December 31, 2020

Income from operating costs for the fiscal year ended December 31, 2020 exceeded the expenses for operating costs, because accounting for leases meant that various expenses were not included in the operating costs. In the fiscal year ended December 31, 2020 these related to lease expenses for metering and heat contracting of EUR 19.3 million (previous fiscal year: EUR 18.9 million). As a proportion of contracted rental income this represents an NOI margin of 2.3% (previous fiscal year: 2.3%).

The losses arising from non-recoverable operating costs and rental loss for the fiscal year ended December 31, 2020 amounted to 2.6% of gross rental income (previous fiscal year: 2.1%).

Rental losses for the fiscal year ended December 31, 2020 increased due to higher expenses for write-downs. This is related to the rise in rent receivables.

The staff costs and general and administration expenses for the fiscal year ended December 31, 2020 amounted to 6.4% (previous fiscal year: 6.5%) of contracted rental income.

Net Operating Income (NOI) for the fiscal year ended December 31, 2020 increased year-on-year by EUR 8.9 million, or 1.3%. The NOI margin in relation to contracted rental income went down from 80.7% to 79.6%.

10.5.2.2 Earnings from disposals

In the disposals business segment, Deutsche Wohnen sold a total of 4,729 residential units in the nine-month period ended September 30, which are expected to have the transfer of risks and rewards taking place in the fiscal year 2021. Of these, 1,119 units were purchase contracts concluded by the end of fiscal 2020. Of the 4,729 units sold, 1,260 units already had their transfer of risks and rewards in the nine-month period ended September 30, 2021 (previous year's period: 1,585) and were thus included in the earnings from disposals in the table below.

In the fiscal year ended December 31, 2020, Deutsche Wohnen sold a total of 8,856 residential units (previous year: 7,181) and 13 nursing assets (previous year: none), with the transfer of risks and rewards taking place in the fiscal year ended December 31, 2020.

	Fiscal year ended December 31,		**Nine-month period ended September 30,**	
	2020	**2019**	**2021**	**2020**
	(unaudited)			
	(EUR in millions)			
Income from sold properties	1,251.6	767.3	197.3	386.3
Cost of sales	(10.2)	(11.6)	(3.9)	(8.5)
Net sales proceeds	**1,241.4**	**755.7**	**193.4**	**377.8**
Carrying amount of properties sold	(1,221.0)	(569.6)	(192.6)	(379.4)
Earnings from disposals	**20.4**	**186.1**	**0.8**	**(1.6)**
Valuation gains due to disposal	288.3	0.0	29.7	46.9
Earnings from disposals before valuation gains due to disposal	**308.7**	**186.1**	**30.5**	**45.3**

Earnings from disposal for the nine-month period ended September 30, 2021

The following table shows the sales separately for privatizations and institutional sales for the nine-month period ended September 30, 2021:

	Number of units	**Transaction volume**	**IFRS Carrying amount of assets sold(*)**	**Gross margin**	
				in EUR million	*in %*
	(unaudited)				
Privatization	225	62.4	44.8	17.6	39
Institutional sales including nursing properties	4,504	720.9	553.3	167.6	30
Total	**4,729**	**783.3**	**598.1**	**185.2**	**31**

(1) IFRS Carrying amount of assets sold without valuation gains due to disposal.

Gross margins in the sales segment remain at a high level despite the appreciations of recent years.

Of the 4,729 units sold, 2,212 units were attributable to a portfolio transaction in Rhineland-Palatinate, which was notarized in May 2021 and is expected to have the transfer of risks and rewards at the end of December 2021. This portfolio transaction with a volume of EUR 293 million will result in a gross margin of EUR 90 million. This gross margin was realized as a sale-induced valuation gain in the result of the fair value adjustment of the investment properties for the nine-month period ended September 30, 2021. Furthermore, the institutional sale includes a portfolio transaction notarized in August 2021 for the sale of 914 apartments as a scattered portfolio in Rhineland-Palatinate for a purchase price of EUR 144 million, expected to have the transfer of risks and rewards taking place at the end of December 2021. A gross margin of EUR 49 million is expected. For the most part, insofar as this gross margin is not included in current assets in accordance with IAS 2, this gross margin has already been realized as a sales-induced valuation gain in the result of the fair value adjustment of investment properties for the nine-month period ended September 30, 2021.

The institutional sale includes the sale of five nursing facilities managed by third parties in the third quarter of 2021, expected to have the transfer of risks and rewards taking place on December 31, 2021.

In the third quarter of 2021, the sale of 10,700 residential units and 200 commercial units to housing associations of the State of Berlin was notarized at a purchase price of EUR 1.65 billion, the transfer of risks and rewards of which is to take place almost entirely in January 2022 and which are therefore largely not included in the table above for the nine-month period ended September 30, 2021.

Sales proceeds for the nine-month period ended September 30, 2021 consisted of proceeds from the privatization of apartments (EUR 44.5 million; nine-month period ended September 30, 2020: EUR 38.1 million) and the institutional sale (EUR 152.8 million; nine-month period ended September 30, 2020: EUR 348.2 million). While two portfolio transactions for residential and commercial buildings were carried out in the institutional sale in the nine-month period ended September 30, 2021, the higher transaction volume in the nine-month period ended September 30, 2020 was due to the change of benefits and burdens of 13 nursing homes.

The two portfolio transactions in the nine-month period ended September 30, 2021 involved a portfolio sale to the state-owned residential construction company degewo AG. This portfolio transaction comprised 2,143 residential and 32 commercial units in Berlin, of which 1,578 apartments in the second half of 2020 and a further 565 apartments in the first quarter of 2021 had their transfer of risks and rewards. The second transaction involved a portfolio sale of 6,379 residential and 38 commercial units in the Braunschweig, Hanover and Cologne regions as well as in the Rhine-Neckar region to the LEG Immobilien AG Group, of which 6,066 apartments had their transfer of risks and rewards in the fourth quarter of 2020 and 164 apartments in the first quarter of 2021 and a further 149 apartments are expected to have their transfer of risks and rewards at the beginning of 2022.

Sales prices in apartment privatization averaged EUR 3,683 per sqm in the nine-month period ended September 30, 2021 (nine-month period ended September 30, 2020: average EUR 2,893 per sqm).

The sales-induced valuation gains related to the measurement of non-current assets held for sale at the agreed selling price, insofar as this valuation effect was included in the carrying amount disposals for the nine-month period ended September 30, 2021.

Earnings from disposal for the fiscal year ended December 31, 2020

The valuation gains due to disposal relate to the measurement of non-current assets held for sale at the agreed sales price, to the extent that this effect is included in the carrying amounts of properties sold for the current period.

The following table shows the key performance figures and results separately for privatizations and institutional sales:

	Fiscal year ended December 31,	
	2020	**2019**
	(unaudited)	
	(EUR in millions)	
Sales proceeds	**51.2**	**90.0**
Average sales price in EUR per/sqm	2,955.0	3,435.0
Volume in units	233.0	314.0
Cost of sales	(4.9)	(8.1)
Net sales proceeds	**46.3**	**81.9**
Carrying amounts of assets sold without valuation gains due to disposal	(38.2)	(56.3)
Gross margin in %	34.0	59.9
Earnings before valuation gains due to disposal	**8.1**	**25.6**
Carrying amounts without valuation gains due to disposal	38.2	56.3
Loan repayment	(1.5)	(3.3)
Liquidity contribution	**44.8**	**78.6**

The high average sales price per sqm in the fiscal year ended December 31, 2019 was due to a privatization in a central location of Berlin. Adjusted for this privatization, the average sales price per sqm in the fiscal year ended December 31, 2019 would have been EUR 2,696 and the gross margin would have been 36.6%. The average sales price rose in the fiscal year ended December 31, 2020 compared with the adjusted average sales price in the fiscal year ended December 31, 2019, and the gross margin fell slightly.

	Fiscal year ended December 31,	
	2020	**2019**
	(unaudited)	
	(EUR in millions)	
Sales proceeds	**1,200.4**	**677.3**
Sales price in EUR per sqm (without nursing assets)	1,743.0	1,614.0
Volume in units	8,623.0	6,867.0
Cost of sales	(5.3)	(3.5)
Net sales proceeds	**1,195.1**	**673.8**
Carrying amounts of assets sold without valuation gains due to disposal	(894.5)	(513.3)
Gross margin in %	34.2	32.0
Earnings before valuation gains due to disposal	**300.6**	**160.5**
Carrying amounts without valuation gains due to disposal	894.5	513.3
Loan repayment	(131.5)	(1.8)
Liquidity contribution	**1,063.6**	**672.0**

For the fiscal year ended December 31, 2020, sales proceeds also include the sale of 13 nursing assets with some 1,700 beds and assisted living units for slightly more than the carrying amount before valuation gains due to disposal. Deutsche Wohnen only disposed of externally managed nursing properties that are not situated in its strategic target regions and are subject to structural and regulatory restrictions.

In the fiscal year ended December 31, 2020, two portfolio transactions accounted for the bulk of institutional sales of residential units. One is a portfolio sale to degewo AG, a state-owned housing company. This portfolio transaction comprises 2,143 residential units and 32 commercial units in Berlin, of which risks and rewards for 1,578 residential units were transferred in the second half of 2020 and for a further 565 units in the first quarter of 2021. The second transaction was a portfolio sale of 6,379 residential units and 38 commercial units in Brunswick, Hanover, Cologne and the Rhine-Neckar region to LEG Immobilien AG, of which the transfer of risks and rewards for 6,066 residential units took place in the fourth quarter of 2020 and for another 313 residential units in the first quarter of 2021.

10.5.2.3 Earnings from nursing operations

The following table shows earnings from nursing operations for the fiscal years ended December 31, 2020 and 2019 as well as for the nine-month period ended September 30, 2021 and 2020:

	Fiscal year ended December 31,		**Nine-month period ended September 30,**	
	2020	**2019**	**2021**	**2020**
	(unaudited)			
	(EUR in millions)			
Income				
Nursing services	149.7	147.7	111.9	112.5
Rental income	59.1	59.5	45.3	44.4
Other	29.3	18.0	30.8	20.1
	238.1	**225.2**	**188.0**	**177.0**
Costs				
Nursing and corporate expenses	(43.7)	(41.7)	(36.9)	(32.8)
Staff expenses	(147.5)	(138.2)	(112.7)	(110.1)
Internal lease expenses	(26.9)	(26.8)	(21.8)	(19.7)
	(218.1)	**(206.7)**	**(171.4)**	**(162.6)**
Earnings from nursing operations	**20.0**	**18.5**	**16.6**	**14.4**
without internal rental expenses	**46.9**	**45.3**	**38.4**	**34.1**

25 nursing facilities are managed by KATHARINENHOF Seniorenwohn- und Pflegeanlage Betriebs-GmbH (together with its consolidated subsidiaries, ***KATHARINENHOF Group***), in which Deutsche Wohnen holds a 100% equity interest as of February 2020 (previously 49%), and 13 nursing facilities by the PFLEGEN & WOHNEN HAMBURG GmbH (together with its consolidated subsidiaries, ***PFLEGE & WOHNEN HAMBURG Group***), which has been a wholly owned subsidiary of Deutsche Wohnen since January 2, 2019. Of the 38 facilities, 37 are owned by Deutsche Wohnen.

The slight decline in income from nursing services in the nine-month period ended September 30, 2021 was mainly due to lower occupancy rates as a result of the fundamental renovation or construction of two Hamburg facilities. The increase in other income included compensation in the amount of EUR 12.4 million from nursing care funds for loss of income and additional expenses as a result of Covid-19 (nine-month period ended September 30, 2020: EUR 5.7 million). Intra-group lease expenses have increased as a result of the conversion from triple-net to double-net contracts, in which a greater amount of repair is to be borne by the property owner.

Earnings from the nursing operations segment without internal rents (EBITDAR) amounted to EUR 38.4 million in the nine-month period ended September 30, 2021 (compared to EUR 34.1 million in the nine-month period ended September 30, 2020). This represents an EBITDAR margin of 20.4% (previous year: 19.3%).

Earnings from the nursing operations segment without internal rents (EBITDAR) amounted to EUR 46.9 million in the fiscal year ended December 31, 2020 (compared to EUR 45.3 million in the fiscal year ended December 31, 2019). This represents an EBITDAR margin of 19.7% (previous year: 20.1%).

10.5.2.4 Earnings from nursing assets

The following table shows earnings from nursing assets for the fiscal years ended December 31, 2020 and 2019 as well as for the nine-month period ended September 30, 2021 and 2020:

	Fiscal year ended December 31,		**Nine-month period ended September 30,**	
	2020	**2019**	**2021**	**2020**
	(unaudited)			
	(EUR in millions)			
Income				
Rental income	38.3	45.4	25.9	30.1
Intragroup leasing income	26.9	26.8	21.8	19.7
	65.2	**72.2**	47.7	49.8
Costs	**(3.2)**	**(2.4)**	**(2.6)**	**(2.2)**
Earnings from nursing assets	**62.0**	**69.8**	**45.1**	**47.6**
without internal rental income	**35.1**	**43.0**	**23.3**	**27.9**

Earnings from nursing assets include lease earnings for 76 nursing facilities owned by Deutsche Wohnen as of the reporting dates. A total of 37 nursing facilities have been leased within Deutsche Wohnen; 24 to the KATHARINENHOF Group and 13 to the PFLEGEN & WOHNEN HAMBURG Group. A further 39 nursing facilities were leased to other well-known operators as of the reporting dates.

The year-on-year decline in external lease income stems from the disposal of 13 nursing facilities for which the transfer of risks and rewards took place in mid-2020.

Intra-group lease income has increased as a result of the conversion from triple-net to double-net contracts, in which a greater amount of repair is to be borne by the property owner.

10.5.2.5 Earnings not attributable to a segment

The following table shows earnings not attributable to a segment for the fiscal years ended December 31, 2020 and 2019 as well as for the nine-month period ended September 30, 2021 and 2020:

	Fiscal year ended December 31,		Nine-month period ended September 30,	
	2020	2019	2021	2020
	(unaudited)			
	(EUR in millions)			
Corporate expenses	(105.9)	(101.3)	(84.4)	(78.4)
Other income	21.6	18.6	16.4	14.8
Cost of materials and services	(10.0)	(7.2)	(5.1)	(7.5)
Miscellaneous staff costs	(3.5)	(2.7)	(2.6)	(4.2)
Miscellaneous other operating expenses	(49.7)	(103.5)	(80.0)	(41.4)
Miscellaneous other operating income	11.4	65.4	17.6	8.5
Impairment losses on financial assets	0.0	(0.4)	–	–
Earnings not attributable to a segment	**(136.1)**	**(131.1)**	**(138.1)**	**(108.2)**

Earnings not attributable to a segment for the nine-month period ended September 30, 2021

In the nine-month period ended September 30, 2021 net earnings not attributable to a segment totaled EUR -138.1 million (nine-month period ended September 30, 2020: EUR -108.2 million). This consists primarily of corporate expenses and other transaction-related operating expenses and income.

Earnings not attributable to a segment for the fiscal year ended December 31, 2020

In the fiscal year ended December 31, 2020, net earnings not attributable to a segment totaled EUR -136.1 million (previous fiscal year: EUR -131.1 million). This consists primarily of corporate expenses and other transaction-related operating expenses and income.

The following table shows the corporate expenses for the fiscal years ended December 31, 2020 and 2019 as well as for the nine-month period ended September 30, 2021 and 2020 (corporate expenses include staff and operating expenses, without the segments nursing operations and nursing assets):

	Fiscal year ended December 31,		Nine-month period ended September 30,	
	2020	2019	2021	2020
	(unaudited)			
	(EUR in millions)			
Staff expenses	(69.8)	(65.0)	(54.4)	(50.8)
Long-term remuneration component (share-based)	0.1	0.0	0.2	0.2
Operating costs	(36.2)	(36.4)	(30.2)	(27.8)
Total corporate expenses	**(105.9)**	**(101.4)**	**(84.4)**	**(78.4)**

Total corporate expenses for the nine-month period ended September 30, 2021

The development of staff costs was in particular due to variable remuneration and the valuation of the long-term remuneration component (LTI) of the management board of Deutsche Wohnen and Deutsche Wohnen's managers.

The long-term remuneration component (share-based) related exclusively to the non-cash changes from the stock option programme SOP 2014.

Staff, general and administration expenses remained at the previous year's level of EUR 2.6 million (EUR 2.4 million).

Other income, cost of materials and miscellaneous staff costs were mainly related to revenues from multimedia and related services of the SYNVIA Group.

Total corporate expenses for the fiscal year ended December 31, 2020

Staff, general and administration expenses in connection with disposals amounted to EUR 3.4 million as of December 31, 2020, on a par with the previous fiscal year. The increase in staff costs is due particularly to the measurement of the long-term incentive (LTI) for the management board members and managers. As of December 31, 2019, the minimum performance levels for the target component share price performance in the 2018 and 2019 tranches were not achieved. These hurdle rates were exceeded again as of December 31, 2020, so staff costs of some EUR 1.3 million were incurred in the fiscal year ended December 31, 2020.

The long-term remuneration component (share-based) relates solely to non-cash expenses from the AOP 2014 share option scheme.

Other income, the cost of materials and miscellaneous staff costs for the fiscal year ended December 31, 2020 are mainly related to revenues from multimedia and similar services at the SYNVIA Group.

10.5.3 Assets and financial position

The table below contains selected figures from the consolidated balance sheet as of December 31, 2020, December 31, 2019 and September 30, 2021:

	As of December 31, 2020		**As of December 31, 2019**		**As of September 30, 2021**	
	(audited)				*(unaudited)*	
	(EUR in millions)	*(in %)*	*(EUR in millions)*	*(in %)*	*(EUR in millions)*	*(in %)*
Investment properties	28,069.5	91	25,433.3	91	27,861.5	83
Other non-current assets	990.5(1)	3	443.4	2	972.0	3
Total non-current assets	**29,060.0(1)**	**94**	**25,876.7**	**93**	**28,833.5**	**86**
Current assets	1,162.6	4	1,289.4	5	3,923.0	12
Cash and cash equivalents	583.3	2	685.6	2	748.0	2
Total current assets	**1,745.9**	**6**	**1,975.0**	**7**	**4,671.0**	**14**
Total assets	**30,805.9(1)**	**100**	**27,851.7**	**100**	**33,504.5**	**100**
Equity	**13,841.3(1)**	**45**	**13,107.3**	**47**	**15,498.0**	**46**
Financial liabilities	6,525.1	21	6,327.7	23	6,308.8	19
Convertible bonds	1,768.7	6	1,682.8	6	1,619.1	5
Corporate bonds	3,129.6	10	2,014.1	7	4,055.8	12
Tax liabilities	60.5	0	26.2	0	62.1	0
Pension obligations	109.6	1	107.2	1	102.7	0

Deferred tax liabilities	4,412.0	14	3,713.8	13	4,998.3	15
Other liabilities	959.1	3	872.6	3	859.7	3
Total liabilities	**16,964.6**	**55**	**14,744.4**	**53**	**18,006.5**	**54**
Equity and total liabilities	**30,805.9(1)**	**100**	**27,851.7**	**100**	**33,504.5**	**100**

(1) Previous year's figure changed due to finalization of the purchase price allocation of the QUARTERBACK transaction.

Assets and financial position as of September 30, 2021

Investment property continues to be the largest balance sheet item. They increased compared to December 31, 2020 mainly due to revaluation, acquisitions and capitalized restructurings, with sales-related departures or reclassifications into current assets having an offsetting effect.

Current assets increased compared to December 31, 2020, mainly due to the sale-related presentation of non-current assets held for sale (EUR 2,197.0 million as at September 30, 2021; EUR 163.6 million as at December 31, 2020). In addition, it has increased through the disbursement of further loans to the QUARTERBACK Group for the acquisition of land for project developments.

In the nine-month period ended September 30, 2021, Deutsche Wohnen's equity increased by EUR 1,656.7 million. The equity ratio rose to 46%. In nine-month period ended September 30, 2021, 9,580.8 thousand bearer shares were issued in exchange for convertible bonds in the nominal amount of EUR 379.0 million for the equivalent of EUR 507.2 million. In addition, 48.6 thousand bearer shares of Deutsche Wohnen were issued through the exercise of stock options and a further approximately 47.6 thousand bearer shares of Deutsche Wohnen in exchange for around 20.2 thousand bearer shares of GSW. This share exchange took place on the basis of the provisions of the domination agreement between the two companies on the right to offer the external shareholders. In the third quarter, Deutsche Wohnen sold 12,708.6 thousand of its own shares to Vonovia for a purchase price of EUR 660.8 million. In addition, Deutsche Wohnen's capital increased by the overall result for the nine-month period ended September 30, 2021 in the amount of EUR 849.9 million. Deutsche Wohnen's equity decreased by EUR 354.1 million as a result of the payment of the dividend from Deutsche Wohnen.

Assets and financial position as of December 31, 2020

Investment properties remain the largest balance sheet item of Deutsche Wohnen. It increased compared with December 31, 2019, mainly because of acquisitions and revaluations capitalized refurbishment expenses, which exceeded the amount of disposals and reclassifications to current assets. A significant portion of the acquisitions related to project developments at the ISARIA Group, which was fully consolidated as of July 1, 2020.

Other non-current assets increased following equity investments in companies in the QUARTERBACK Group and the goodwill created by the acquisition of the ISARIA Group.

Deutsche Wohnen equity rose by EUR 734.0 million in absolute terms in the fiscal year ended December 31, 2020. The equity ratio of 45% was somewhat lower (previous year: 47%). In the reporting period some 55,800 bearer shares in Deutsche Wohnen were issued following the exercise of share options and another 72,100 bearer shares in Deutsche Wohnen were issued in exchange of some 30,600 bearer shares in GSW. This share swap took place in accordance with the provisions of the control agreement between the two companies on the put options held by outside shareholders. In addition, total comprehensive income of EUR 1,542.9 million for the fiscal year ended December 31, 2020 also increased the capital of Deutsche Wohnen. The group equity fell by EUR 497.9 million as of the reporting date due to the purchase of own shares, and by a further EUR 312.6 million following the payment of a dividend by Deutsche Wohnen.

10.5.4 Financing

The following table shows the development of Deutsche Wohnen's loan-to-value ratio as of December 31, 2020 and 2019 and as of September 30, 2021 and 2020:

	As of December 31,		As of September 30,
	2020	2019	2021
	(audited)		*(unaudited)*
	(EUR in millions)		
Financial liabilities	6,525.1	6,327.7	6,308.8
Convertible bonds	1,768.7	1,682.8	1,619.1
Corporate bonds	3,129.6	2,014.1	4,055.8
	11,423.4	**10,024.6**	**11,983.7**
Cash and cash equivalents	(583.3)	(685.6)	(748.0)
Net financial liabilities	**10,840.1**	**9,339.0**	**11,235.7**
Investment properties	28,069.5	25,433.3	27,861.5
less right-of-use assets held as investment properties from leases	(51.6)	(62.8)	(48.7)
Non-current assets held for sale	163.6	571.2	2,197.0
Land and buildings held for sale	472.2	468.9	462.9
Investments in property and land companies	370.4[(2)]	4.6[(1)]	365.4
Loans to property and land companies	252.3	0.0[(1)]	926.9
	29,276.4[(2)]	**26,415.2**	**31,765.0**
Loan-to-Value ratio in %	**37.0**	**35.4**	**35.4**

(1) Calculation method has been changed to include equity investments in and loans to property companies.
(2) Previous year's figure changed due to finalization of the purchase price allocation of the QUARTERBACK transaction.

Financing as of September 30, 2021

Financial liabilities decreased due to the repayment of loans in the amount of EUR 229.3 million. Individual loan agreements regulate special termination options in the event of a change of control, so that non-current financial liabilities in a nominal amount of EUR 730.8 million were actually reported as short-term in the consolidated balance sheet as of September 30, 2021. As of September 30, 2021, Deutsche Wohnen could assume, on the basis of discussions with the creditors, that they would not make use of its right of termination.

Liabilities from convertible bonds changed due to conversions and fluctuations in market value. In the nine-month period ended September 30, 2021, convertible bonds with a nominal value of EUR 379.0 million were converted into shares of Deutsche Wohnen. The nominal amount of the outstanding convertible bonds amounted to EUR 1,221.0 million as of September 30, 2021 (December 31, 2020: EUR 1,600.0 million). As of September 30, 2021, conversion declarations for a nominal value of EUR 894.8 million had been received for the outstanding convertible bonds. They were presented at fair value as non-current liabilities in the consolidated balance sheet. For convertible bonds in the nominal amount of EUR 326.2 million, there were neither conversion declarations nor terminations at September 30, 2021, so that these were reported as short-term in the consolidated balance sheet at fair value due to special termination rights in the event of a change of control.

Liabilities under corporate bonds decreased as a result of scheduled repayments of EUR 250.0 million and increased as a result of payments from issues of EUR 1,200.1 million. In the nine-month period ended September 30, 2021, payments from issues included the issuance of two long-term green bonds (EUR 500.0 million each), short-term bearer bonds (EUR 100.0 million) and short-term commercial papers (EUR 100.1 million).

The terms and conditions of all corporate bonds issued by Deutsche Wohnen include special termination options in the event of a change of control, so that the corporate bonds were reported as short-term in the consolidated balance sheet as of September 30, 2021. There were no redundancies as of September 30, 2021. According to Deutsche Wohnen, the respective market values of these corporate bonds compared to the repayment amount in the event of termination mean that in most cases a termination by the bondholders does not make economic sense.

The average interest rate on the loan portfolio, including convertible bonds and corporate bonds, amounted to 1.25% as of September 30, 2021, with a hedging ratio of 91%.

Deutsche Wohnen received a long-term issuer rating from the two international rating agencies Standard & Poor's and Moody's. The ratings are BBB+ from Standard & Poor's (as of October 25, 2021) with a stable outlook and A3 from Moody's (as of December 22, 2020) with a negative outlook.

Financing as of December 31, 2020

In the fiscal year ended December 31, 2020, financial liabilities fell by EUR 533.0 million year-to-year following the repayment of borrowings. This was offset by new borrowing of EUR 571.5 million and the non-cash takeover of EUR 138.1 million in liabilities belonging to the ISARIA Group.

Liabilities from convertible bonds rose due to market fluctuations in the fiscal year ended December 31, 2020. The nominal amount of outstanding convertible bonds came to EUR 1,600 million as of the reporting date, as in the previous year.

In the fiscal year ended December 31, 2020, liabilities under corporate bonds fell by EUR 873.8 million due to redemptions and increased by EUR 1,998.2 million due to the proceeds of new issues. EUR 200.0 million of the repayment related to a short-term bearer bond issued in the fiscal year ended December 31, 2019 and EUR 278.8 million to the remainder of the bond issued in the fiscal year ended December 31, 2015. Proceeds of new issues in the fiscal year ended December 31, 2020 included two long-term corporate bonds with a nominal value of EUR 1,190.0 million, plus other long-term bearer bonds (EUR 513.0 million) and short-term commercial paper (EUR 295.2 million).

Even with the new funding, the average interest rate remained stable year-on-year at 1.2% in the fiscal year ended December 31, 2020. The average capital repayment rate of 0.5% is the same as the previous year. The average term to maturity of Deutsche Wohnen's loans, convertible bonds and bonds is 6.8 years. The hedging ratio came to 89% as of December 31, 2020 (previous fiscal year: 88%).

Total other liabilities

The following table shows the other liabilities for the fiscal years ended December 31, 2020 and 2019 as well as for the nine-month period ended September 30, 2021 and 2020:

	Fiscal year ended December 31,		Nine-month period ended September 30,
	2020	2019	2021
	(audited)		*(unaudited)*
	(EUR in millions)		
Derivative financial instruments	57.3	52.1	30.7
Trade payables	429.9	300.5	340.0
Other	471.9	520.0	489.0
Total other liabilities	**959.1**	**872.6**	859.7

10.5.5 Statement of cash flows

The following table shows the most important cash flows for the fiscal years ended December 31, 2020 and 2019 as well as for the nine-month period ended September 30, 2021 and 2020:

	Fiscal year ended December 31,		Nine-month period ended September 30,	
	2020	2019	2021	2020
	(audited)		*(unaudited)*	
	(EUR in millions)			
Net cash flow from operating activities	504.5	460.1[(1)]	307.8	258.2
Net cash flow from investing activities	(899.6)	(679.8)	(1,130.2)	(1,356.8)
Net cash flow from financing activities	292.8	572.5	987.1	741.2
Net change in cash and cash equivalents	**(102.3)**	**352.8**	164.7	(357.4)
Opening balance cash and cash equivalents	685.6	332.8	583.3	685.6
Closing balance cash and cash equivalents	**583.3**	**685.6**	**748.0**	**328.2**

(1) Previous year's figure changed due to exercise of IAS 23 option

Statement of cash flows in the nine-month period ended September 30, 2021

In the nine-month period ended September 30, 2021, net cash flow from investing activities included payments for investments in property of EUR 529.1 million (compared to EUR 826.1 million in the nine-month period ended September 30, 2020) and in other assets of EUR 755.1 million (compared to EUR 527.3 million in the nine-month period ended September 30, 2020). EUR 195.6 million of the property investments were for acquisitions (compared to EUR 583.1 million in the nine-month period ended September 30, 2020), EUR 153.5 million for refurbishment (compared to EUR 180.1 million in the nine-month period ended September 30, 2020) and EUR 180.0 million for new building (compared to EUR 62.9 million in the nine-month period ended September 30, 2020, including change in IAS 23 option). This was offset by proceeds from the disposal of investment properties in the amount of EUR 92.9 million (compared to EUR 502.5 million in the nine-month period ended September 30, 2020). Other proceeds of investing activities mainly included the repayment of loans granted. Net payments of EUR 517.1 million were made for the acquisition of the ISARIA Group in the same period of the previous year after deduction of the cash and cash assumed.

Cash flow from financing activities essentially comprises all payments in connection with refinancing (loan repayments and new borrowing, convertible bonds and corporate bonds together with the related one-off payments), cash inflows from equity activities, outflows for the purchase of treasury shares and dividend payments.

In the nine-month period ended September 30, 2021, cash flow from financing activities consisted of issue proceeds from corporate bonds of EUR 1,200.1 million (compared to EUR 1,998.2 million in the nine-month period ended September 30, 2020). Capital repayments related to loans in the amount of EUR 229.3 million (EUR 484.1 million in the nine-month period ended September 30, 2020), bearer bonds to the amount of EUR 200.0 million; (compared to EUR 200.0 million in the nine-month period ended September 30, 2020) and commercial papers to the amount of EUR 50.0 million (compared to none in the nine-month period ended September 30, 2020). The sale of treasury shares resulted in payments of EUR 660.8 million, whereas EUR 505.7 million had been paid for the acquisition of treasury shares in the same period of the previous year. Furthermore, Deutsche Wohnen's dividend of EUR 354.1 million for the 2020 financial year (previous year: EUR 312.6 million) was paid out in the first half of 2021.

Statement of cash flows in the fiscal year ended December 31, 2020

In the fiscal year ended December 31, 2020, Deutsche Wohnen was able to meet its financial obligations in full of all times.

Cash flow from operating activities is subject to fluctuations because of the cash inflows and outflows from the purchase and sale of investment properties held for sale. Net cash from operating activities came to EUR 48.7 million in the 2020 fiscal year ended December 31, 2020 (previous fiscal year: EUR 13.3 million).

In the fiscal year ended December 31, 2020, cash flow from investing activities included payments for property investments of EUR 1,069.0 million (previous fiscal year: EUR 1,348.7 million) and other assets of EUR 644.5 million (previous fiscal year: EUR 27.4 million). EUR 676.3 million of the property investments were for acquisitions (previous fiscal year: EUR 917.4 million), EUR 267.5 million for refurbishment (previous fiscal year: EUR 369.7 million) and EUR 125.2 million for new building (previous fiscal year: EUR 61.6 million, including change in IAS 23 option). This was offset by proceeds from the disposal of investment properties and properties held for sale of EUR 1,266.0 million. After deducting cash holdings, a net total of EUR 517.1 million was paid for the acquisition of the ISARIA Group. Investments in other assets related mainly to equity investments, specifically the acquisition of equity interests amounting to EUR 268.6 million as well as the purchase of loan receivables and the issuance of loans amounting to EUR 349.9 million, each related to QUARTERBACK Group. Other proceeds of investing activities consisted mainly of loan repayments.

In the fiscal year ended December 31, 2020, cash flow from financing activities included proceeds from the issue of corporate bonds of EUR 1,998.2 million (previous fiscal year: EUR 1,159.5 million) and from borrowing of EUR 571.5 million (previous fiscal year: EUR 508.1 million). Capital repayments related to loans (EUR 533.0 million; previous fiscal year: EUR 380.5 million), bonds (EUR 278.8 million; previous fiscal year: EUR 221.2 million), bearer bonds (EUR 300.0 million; previous fiscal year: none) and commercial paper (EUR 295.0 million; previous fiscal year: EUR 120.0 million). EUR 507.0 million (previous fiscal year: EUR 93.3 million) was paid to purchase own shares. Deutsche Wohnen also paid a dividend of EUR 312.6 million for the fiscal year ended December 31, 2019 in the first second quarter of the fiscal year ended December 31, 2020. Of the dividend of EUR 310.6 million for the fiscal year ended December 31, 2018 voted at the annual general meeting, EUR 225.7 million was paid in cash in the fiscal year ended December 31, 2019. The difference was paid in shares, since shareholders could choose between a cash or share dividend.

10.5.6 Alternative performance measures of Deutsche Wohnen

This section contains certain APMs.

These APMs are not required by, or presented in accordance with, IFRS, German GAAP or any other generally accepted accounting principles. Certain of these measures are derived from the IFRS accounts of Deutsche Wohnen and others are derived from management reporting or the accounting or controlling systems of Deutsche Wohnen. These are APMs as defined in the ESMA Guidelines.

The definitions of the APMs may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should, therefore, not be considered in isolation or as a substitute for analysis of Deutsche Wohnen's operating results as reported under IFRS or German GAAP. The APMs presented in this section are not measurements of Deutsche Wohnen's or Deutsche Wohnen's performance or liquidity under IFRS or German GAAP and should not be considered as alternatives to results for the period or any other performance measures derived in accordance with IFRS, German GAAP or any other generally accepted accounting principles or as alternatives to cash flow from operating, investing or financing activities.

The table below provides the definition and purpose of each financial APM as well as a reconciliation of how each APM is calculated from Deutsche Wohnen's results reported under IFRS.

APM	Purpose and description	Calculation from IFRS
Earnings from disposals before valuation gains due to disposal	The earnings from disposals before valuation gains due to disposal is calculated as the income from sold properties minus the costs of sales and the carrying amount of properties sold plus the valuation gains due to disposals. The valuation gains due to disposal relate to the measurement of non-current assets held for sale at the agreed sales price, to the extent that this effect is included in the carrying amounts of properties sold for the current period.	Income from sold properties (-) Cost of sales = Net sales proceeds (-) Carrying amount of properties sold = Earnings from disposals (+) Valuation gains due to disposals = Earnings from disposals before valuations gains due to disposals
Earnings from nursing assets	Earnings from nursing assets include the lease earnings for the nursing facilities owned by Deutsche Wohnen. The nursing homes are partially leased within Deutsche Wohnen and partially leased to outside operators. Costs are deducted from the rental income and intragroup leasing income.	Income Rental Income (+) Intragroup leasing income (-) Costs = Earnings from nursing assets
Earnings from nursing operations	Earnings from nursing operations is calculated as the income from nursing services, rental income and other income minus nursing and corporate expenses, staff expenses and internal lease expenses.	Income (+) Nursing services (+) Rental income (+) Other Costs (-) Nursing and corporate expenses (-) Staff expenses (-) Internal lease expenses = Earnings from nursing operations
Earnings from residential property management	Earnings from residential property management is calculated as the contracted rental income plus income from operating costs minus operating costs, rental loss, maintenance and other costs.	Contracted rental income (+) Income from operating costs = Rental income (-) Operating costs (-) Rental loss (-) Maintenance (-) Other = Earnings from residential property management
EBIT	EBIT (earnings before interest and taxes) is calculated as the EBITDA before gains/losses from the fair value adjustment of investment properties minus depreciation, amortization and impairment plus gains or minus losses from the fair value adjustment of investment properties.	EBITDA before gains/losses from the fair value adjustment of investment properties (-) Depreciation, amortization and impairment (+/-) Gains/losses form the fair value adjustment of investment properties = EBIT

APM	Purpose and description	Calculation from IFRS
EBITDA................................	EBITDA (earnings before interest, taxes, depreciation and amortization) is calculated by subtracting corporate expenses and other expenses and revenues from the total segment results from residential property management, disposals, nursing operations and nursing assets.	Total segment results from residential property management, disposals, nursing operations and nursing assets (-) Corporate expenses (-) Other expenses (-) Revenues = EBITDA
EBITDA (adjusted).............	EBITDA (adjusted) is calculated as EBITDA before gains/losses from fair values adjustments of investment properties plus one-off expenses and minus one-off revenues arising in conjunction with one-off projects (*e.g.* restructuring or acquisitions).	EBITDA before gains/losses from fair value adjustments of investment properties (+) Measurement of current assets (properties) (+) Valuation gains due to disposal (+) Other non-recurring expenses and income (+) Restructuring and reorganization expenses = EBITDA (adjusted)
EBITDA (adjusted) before disposals................................	EBITDA (adjusted) before disposals is calculated as EBITDA (adjusted) minus earnings from disposals and valuation gains due to disposal plus staff, general and administration expenses of disposals.	EBITDA (adjusted) (-) Earnings from disposals (-) Valuations gains due to disposal (+) Staff, general and administration expenses of disposals = EBITDA (adjusted) before disposals
EBITDA before gains/losses from the fair value adjustment of investment properties......	EBITDA before gains/losses from the fair value adjustment of investment properties is calculated as the income minus cost of materials and carrying amounts of properties sold, staff expenses and other operating expenses plus other operating income.	Income (-) Cost of materials and carrying amounts of properties sold (-) Staff expenses (-) Other operating expenses (+) Other operating income = EBITDA before gains/losses from the fair value adjustment of investment properties
EBITDAR............................	EBITDAR is the EBITDA from the operating business of the nursing facilities before internal rent and lease expenses for the facilities. External rental and lease expenses are not included in the EBITDA calculation in accordance with IFRS 16 and are therefore not eliminated in the EBITDAR.	EBITDA from the operating business of the nursing facilities (+) internal rent and lease expenses = EBITDAR
EBT......................................	EBT (earnings before taxes) is calculated as EBIT plus earnings from investments accounted for using the equity method minus the financial result.	EBIT (+) Earnings from investments accounted for using the equity method (-) Financial result = Earnings before taxes
EBT (adjusted)	EBT (adjusted) is calculated as EBT adjusted for the gains/losses from fair value adjustments of investment properties, net income from fair value adjustments to financial instruments and other one-off effects.	Earnings before taxes (EBT) (+/-) Gains/losses from fair value adjustment of properties (+) Net income from fair value adjustments to financial instruments (+/-) Other one-off effects = EBT (adjusted)
EPRA NAV..........................	The EPRA NAV (EPRA Net Asset Value) indicates the asset value or intrinsic value of Deutsche Wohnen. The value is calculated based on consolidated equity (before minority interests) adjusted for the effects of the exercise of options, convertible bonds and other rights to equity and adjusted for the fair values of derivative financial instruments and deferred taxes, *i.e.* adjusted for items which do not impact on the long-term development of Deutsche Wohnen. From fiscal year 2021 EPRA NAV is replaced by the EPRA NTA.	Equity (before non-controlling interests) (+) Deferred taxes for valuation gains on investment properties (+) Market value of derivative financial instruments = EPRA NAV
FFO I	FFO is a benchmark, liquidity-oriented indicator for Deutsche Wohnen which is derived from Deutsche Wohnen's profit and loss account and is the basis for the dividend payout. Based on the EBITDA	EBITDA (adjusted) before disposals (-) Long-term remuneration component (share-based) (+) Finance leasing broadband cable networks

APM	Purpose and description	Calculation from IFRS
	(adjusted), adjustments are made for any one-off items, non-cash finance expenses/revenues and non-cash tax expenses/revenues. FFO I (without disposals) is adjusted for the earnings from disposals.	(+) At-equity valuation (-) Interest income/expenses (-) Income taxes (-) Minority interests = FFO I
ICR.......................................	The ICR (Interest Cover Ratio) is the coverage ratio of EBITDA (adjusted) before disposals to current interest expenses less interest income.	EBITDA (adjusted) before disposals (/) Current interest expenses and interest income = ICR
LTV ratio.............................	The LTV ratio (loan-to-value ratio) describes the ratio of the total net financial liabilities to the value of investment properties plus non-current assets held for sale and land and buildings held for sale.	Financial liabilities (+) Convertible bonds (+) Corporate bonds (-) Cash and cash equivalents = Net financial liabilities Investment properties (-) Right-of-use assets held as investment properties from leases (+) Non-current assets held for sale (+) Land and buildings held for sale (+) Investments in property and land companies (+) Loans to property and land companies = LTV Ratio in %
NOI	The NOI (net operating income) is calculated as the operating earnings from the residential property management minus the staff, general and administration expenses (corporate expenses) arising in this context. It is comparable to the net rental income or the EBITDA from letting.	Operating earnings from the residential property management (-) Staff, general and administration expenses arising from residential property management = NOI

10.6 Profit Forecast Deutsche Wohnen

10.6.1 Introduction

The profit forecast for the fiscal year 2021 presented in this section relates to the EBITDA (adjusted) before disposals and FFO I for Deutsche Wohnen (the ***Deutsche Wohnen Profit Forecast***).

The Deutsche Wohnen Profit Forecast is not a representation of facts and should not be interpreted as such by potential investors. Rather, it is the expectation of the management board of Deutsche Wohnen in relation to the development of the EBITDA (adjusted) without disposals and FFO I. Potential investors should therefore place only limited reliance on Deutsche Wohnen Profit Forecast.

For the Deutsche Wohnen Profit Forecast, Deutsche Wohnen has defined EBITDA (adjusted) before disposals as follows:

EBITDA (adjusted) before disposals is calculated as the income minus cost of materials and carrying amounts of properties sold, staff expenses and other operating expenses plus other operating income (before interest, taxes, impairment losses, depreciation and amortization before gain/losses from fair value adjustments of investment properties) plus one-off expenses and minus one-off revenues arising in conjunction with one-off projects (*e.g.* restructuring or acquisitions) minus earnings from disposals and valuation gains due to disposal plus staff, general and administration expenses of disposals.

For the Deutsche Wohnen Profit Forecast, Deutsche Wohnen has defined FFO I as follows:

FFO I is a benchmark, liquidity-oriented indicator and represents the sustainable earnings power of the operating business without disposals. Starting from EBITDA (adjusted) before disposals, the interest income/expenses (excluding one-off or non-cash items) and income taxes (excluding one-off or non-cash items as well as taxes from disposals) are subtracted. Minority interests and long-term remuneration components (share-based) are also subtracted. Results from at-equity valuations are added. All finance leasing from broadband cable networks is included in the calculation of FFO I, regardless of whether the corresponding contracts are classified in the IFRS consolidated financial statements as finance leases or operating leases with Deutsche Wohnen as lessor.

The Deutsche Wohnen Profit Forecast is based on the assumptions made by Deutsche Wohnen's management board as set out below regarding the development of factors affecting EBITDA (adjusted) before disposals and FFO I. These assumptions also relate to factors over which Deutsche Wohnen has no or only limited influence. Even if Deutsche Wohnen assumes that the assumptions are appropriate at the time of publication of the Deutsche Wohnen Profit Forecast by Deutsche Wohnen's management board, they could prove to be inaccurate or unfounded in retrospect. If one or more of these assumptions prove to be inaccurate or unfounded, actual EBITDA (adjusted) before disposals and actual FFO I could differ materially from Deutsche Wohnen's forecasted EBITDA (adjusted) before disposals and forecasted FFO I.

Based on the developments in the current fiscal year 2021, Deutsche Wohnen expects EBITDA (adjusted) before disposals of around EUR 700 million and FFO I comparable to the prior fiscal year for Deutsche Wohnen.

10.6.2 Explanations of the Deutsche Wohnen Profit Forecast

10.6.2.1 Underlying principles

The Deutsche Wohnen Profit Forecast of EBITDA (adjusted) before disposals and FFO I for the fiscal year 2021 has been prepared in accordance with the IDW Accounting Practice Statement on the preparation of profit forecasts and estimates under the special requirements of the prospectus regulation (IDW AcPS AAB 2.003) issued by IDW.

The Deutsche Wohnen Profit Forecast has been prepared on the basis of the accounting principles of IFRS. The accounting policies applied are presented in the notes to the consolidated financial statements of Deutsche Wohnen for the year ended December 31, 2020.

EBITDA (adjusted) before disposals as well as FFO I are performance measures known as APMs and are not recognized under IFRS and therefore should not be considered as a substitute for net income or profit after tax, cash flow from operating activities or other performance measures as determined or defined by IFRS.

The way in which Deutsche Wohnen measures EBITDA (adjusted) before disposals as well as FFO I may not be consistent with the way in which these measures, similar measures or measures with similar names are determined by other companies. Accordingly, EBITDA (adjusted) before disposals as well as FFO I as presented herein may not be comparable to these measures or similar measures or measures with similar names as presented by other companies.

The Deutsche Wohnen Profit Forecast has been compiled and prepared on a basis which is both (a) comparable with Deutsche Wohnen's historical financial information included in this Prospectus, *i.e.* the Unaudited Interim Consolidated Financial Statements of Deutsche Wohnen and the Audited Consolidated Financial Statements of Deutsche Wohnen, in each case as reported for the respective period, and (b) consistent with Deutsche Wohnen's accounting policies.

The Deutsche Wohnen Profit Forecast has been prepared solely for inclusion in this Prospectus and represents Deutsche Wohnen's best estimates as of the date of this Deutsche Wohnen Profit Forecast (November 19, 2021). It is influenced by a number of factors, the development of which is based on certain assumptions made by Deutsche Wohnen's management board as listed below.

10.6.3 Factors and assumptions

10.6.3.1 Factors that cannot be influenced

The forecasted EBITDA (adjusted) before disposals as well as the FFO I of Deutsche Wohnen are subject to factors over which Deutsche Wohnen has no influence. These factors and the assumptions made by Deutsche Wohnen regarding their development are set out below:

(i) Factor: Unforeseen events

In preparing the Deutsche Wohnen Profit Forecast, Deutsche Wohnen assumes that no significant unforeseen event will occur that could lead to significant or prolonged disruptions in the ongoing business of Deutsche Wohnen, such as force majeure (*e.g.* fire, floods, hurricanes, storms, earthquakes or terrorist attacks), strikes, extraordinary macroeconomic events or war.

(ii) Factor: Influence of the Covid-19 pandemic

In preparing the Deutsche Wohnen Profit Forecast, potential impacts from the Covid-19 pandemic are taken into account, specifically

- the non-recoverability of rents and the temporary waiver of rent adjustments, and
- the postponement of modernization projects.

Deutsche Wohnen expects that the Covid-19 pandemic will have only a minor impact in all business segments.

(iii) Factor: Legislative and other legal measures

In preparing the Deutsche Wohnen Profit Forecast, Deutsche Wohnen assumes that there will be no or only insignificant changes to the existing legal framework and that there will be no significant changes to the law, *e.g.* in rental and tax law, other than in connection with the Berlin Rent Freeze Legislation, which was found unconstitutional and therefore invalid and which changes were already reflected in the preparation of the Deutsche Wohnen Profit Forecast.

(iv) Factor: Economic development in general and in the residential real estate sector in particular

For the purposes of the Deutsche Wohnen Profit Forecast, Deutsche Wohnen assumes that

- there will be no negative economic development in Germany with the exception of temporary negative effects from the aforementioned Covid-19 pandemic;
- there will be no negative development in the residential real estate sector, especially in Germany; and
- Deutsche Wohnen can maintain its current competitive position.

(v) Factor: Interest rate development

In preparing the Deutsche Wohnen Profit Forecast for FFO I, Deutsche Wohnen assumes that the current interest rate level will remain stable, with an essentially unchanged financing strategy. Since Deutsche Wohnen has concluded interest rate hedging transactions to a significant extent for the financial liabilities with variable interest rates, Deutsche Wohnen assumes that there will be no significant negative effects on the financing conditions for the fiscal year 2021 even if the interest rate level changes.

10.6.3.2 Factors that can be influenced to a limited extent

Other factors over which Deutsche Wohnen has limited influence may also affect the amount of the forecasted EBITDA (adjusted) before disposals as well as the forecasted FFO I of Deutsche Wohnen for the fiscal year 2021. The main factors as well as the relevant assumptions regarding their development are listed below:

(i) Factor: Rental income and operating expenses

Deutsche Wohnen believes that it can forecast rental income with reasonable certainty for purposes of the Deutsche Wohnen Profit Forecast based on contracted rents. For the purpose of forecasting rental income, Deutsche Wohnen has made the assumption that the vacancy rate at the end of fiscal year 2021 will be at a comparable level to that at the end of fiscal year 2020. Overall the expected level of rental income is also comparable to the previous year. Furthermore, Deutsche Wohnen has assumed that the operating management costs, including the costs of maintenance per sqm, will be at a comparable level to the prior fiscal year.

(ii) Factor: Income and operating expenses from nursing assets and operations

For the segment Nursing Assets Deutsche Wohnen expects a moderate decrease in total lease income compared to 2020 accounting for the reduction of lease income from disposals carried out in the fiscal year 2020. Income and associated costs from Nursing Operations are assumed to perform at similar level as in 2020. It has been further assumed that a loss in income and additional expenses as a result of the Covid-19 pandemic will be compensated by the nursing care funds.

(iii) Factor: Administrative costs

The administrative costs include staff expenses and material costs, excluding the segments Nursing Operations and Nursing Assets. Deutsche Wohnen assumes a slight growth of costs of materials and services for the fiscal year 2021 for the purpose of the Deutsche Wohnen Profit Forecast.

(iv) Factor: FFO I interest expense

Within the framework of the planning calculation underlying the forecast of FFO I for the fiscal year 2021, Deutsche Wohnen assumes that

- the loan to value (LTV) ratio of the overall real estate portfolio will be below the prior fiscal year's level due to the conversion of convertible bonds in equity;
- all credit agreement clauses are complied with;
- the interest rate risk remains low due to the hedging instruments used by Deutsche Wohnen;
- the liquidity risk remains low, as Deutsche Wohnen assumes that sufficient cash and cash equivalents will be available and that the financing conditions of the current financing agreements can be maintained in the event of credit extensions with the banks; and
- FFO I interest expense will be at a comparable level to the previous year.

(v) Factor: current income taxes FFO I

In its forecast of FFO I, Deutsche Wohnen assumes that the corporate income tax rate and trade tax rate will remain unchanged and that there will be no significant changes in the income tax environment or income tax law in fiscal year 2021.

10.6.3.3 Factors that can be influenced

The following factors within Deutsche Wohnen's control may also affect EBITDA (adjusted) before disposals and FFO I for the fiscal year 2021:

(i) Factor: Costs for modernization measures

In the event of a change of tenants, Deutsche Wohnen can determine the amount to be invested in residential properties upon reletting to leverage rental potential. The amount of the costs incurred in the process affects the rent on new rentals. Deutsche Wohnen carries out an ongoing modernization of its residential properties and assumes no major disruptions.

10.6.4 Other explanatory notes

The forecasts of EBITDA (adjusted) before disposals and FFO I do not take into account extraordinary results and results from non-recurring activities as defined in the IDW Accounting Note (IDW RH HFA 2.003).

As the Deutsche Wohnen Profit Forecast relates to a period not yet completed and has been prepared on the basis of assumptions about future uncertain events and actions (factors), they are inherently subject to significant uncertainties. Due to these uncertainties, it is possible that the actual EBITDA (adjusted) before disposals and the actual FFO I of Deutsche Wohnen for the fiscal year 2021 may differ from the forecasted figures. The Deutsche Wohnen Profit Forecast was prepared on November 19, 2021.

10.7 General Information about Deutsche Wohnen

Deutsche Wohnen is a European company (*Societas Europaea*) under European and German law, with its registered corporate seat at Mecklenburgische Straße 57, 14197 Berlin, Germany (telephone: +49 (0) 30897860. Deutsche Wohnen is registered with the commercial register of the local court (*Amtsgerich*t) of Berlin (Charlottenburg) under the number HRB 190322 B. Deutsche Wohnen's LEI is 529900QE24Q67I3FWZ10. Deutsche Wohnen and its subsidiaries form the Deutsche Wohnen and operate under the commercial name "Deutsche Wohnen".

The company was initially incorporated as KERA Beteiligungs Aktiengesellschaft, a German stock corporation (*Aktiengesellschaft*) organized under German law, in 1966, with its registered office in Frankfurt am Main, Germany. The founder and sole shareholder was Deutsche Bank AG. The Company first started to conduct business in 1998 and changed its name to "Deutsche Wohnen AG" in 1998/99. On July 31, 2017, Deutsche Wohnen's legal form was converted into a European company (*Societas Europea*) and as a consequence its name was changed to "Deutsche Wohnen SE". On October 11, 2017, the Company's registered office changed from Frankfurt am Main, Germany, to Berlin, Germany.

Pursuant to Section 2 of the articles of association of Deutsche Wohnen, its business objective includes the acquisition, administration, letting and management, as well as the sale of residential properties, nursing facilities and other real estate. The company may construct, modernize and renovate real estate, provide real estate related services, and undertake cooperative ventures of all kinds. Deutsche Wohnen may operate in these business fields either itself or through subsidiaries or associated companies, whose business objectives match that of Deutsche Wohnen in whole or in part. Deutsche Wohnen may also establish or acquire such companies; Deutsche Wohnen may manage subsidiaries uniformly or restrict itself to administering its participation, and it may dispose of its participations. Deutsche Wohnen is also entitled to carry out all activities and measures that are connected to the business objective, or are designed to serve the same, either directly or indirectly. Deutsche Wohnen does not carry out activities on the basis of which it could qualify as an investment fund within the meaning of the German Investment Code (*Kapitalanlagegesetzbuch*). In particular, Deutsche Wohnen was not established with the primary aim of procuring a return for its shareholders from the sale of its subsidiaries or associated companies. Deutsche Wohnen conducts business in the residential property management sector; its activities include, in particular, the letting of its own residential units, the management of its residential property portfolio and the sale of selected residential real estate. In addition, Deutsche Wohnen also operates nursing homes and assisted living units through a subsidiary. In line with this business strategy, Deutsche Wohnen concentrates on residential housing and nursing homes in Germany's fast-growing metropolitan areas; these include the greater Berlin area and the urban centers of Dresden/Leipzig, Frankfurt am Main, Hanover/Braunschweig and Cologne/Dusseldorf.

The shares of Deutsche Wohnen (the ***Deutsche Wohnen Shares***) are admitted to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard). At the date of this Prospectus, Deutsche Wohnen is included, *inter alia*, in the EPRA/NAREIT, STOXX® Europe 600 and GPR 250 indices. In addition, Deutsche Wohnen Shares are traded on the Berlin Second Regulated Market sub-segment of the Berlin stock exchange (*Börse Berlin*).

The address of the website of Deutsche Wohnen is www.deutsche-wohnen.de. Information on the website does not form part of the prospectus unless that information is incorporated by reference.

Deutsche Wohnen has a two-tier management and control system, consisting of the management board and the supervisory board. The powers of these governing bodies are determined by the SE-Regulation and the German Act on the SE-Implementation (*SE-Ausführungsgesetz*), the German Stock Corporation Act (*Aktiengesetz*), the articles of association and the internal rules of procedure of both the supervisory board and management board.

Deutsche Wohnen’s members of the management board are Michael Zahn as chief executive officer, Philip Grosse as chief financial officer, Henrik Thomsen as chief development officer and Lars Urbansky as chief operating officer.

Deutsche Wohnen’s members of the supervisory board are Matthias Hünlein as chairman, Jürgen Fenk as vice-chairman, Arwed Fischer, Kerstin Günther, Tina Kleingarn and Dr. Florian Stetter.

On November 8, 2021, Mr. Hünlein and Mr. Fischer, on November 9, 2021, Mr. Fenk, on November 10, 2021, Ms. Günther and on November 15, 2021, Ms. Kleingarn, each resigned from Deutsche Wohnen’s supervisory board with effect as of December 31, 2021.

Vonovia has decided to propose that Helene von Roeder (member of the Company’s Management Board), Dr. Fabian Heß (General Counsel of the Company), Christoph Schauerte (Head of Accounting of the Company), Simone Schumacher (Head of Accounting BMW Finance N.V.) and Peter Hohlbein (Managing shareholder of Hohlbein & Cie. Consulting) are appointed as supervisory board members of Deutsche Wohnen following the effectiveness of the resignations of Mr. Hünlein, Mr. Fischer, Mr. Fenk, Ms. Günther and Ms. Kleingarn, either by way of court appointment or by an extraordinary general shareholder meeting.

11. PRO-FORMA CONSOLIDATED FINANCIAL INFORMATION

The following pro forma consolidated financial information is prepared in connection with the Offering carried out to refinance the Deutsche Wohnen Transaction. The pro forma consolidated financial information demonstrates the hypothetical impact of the Deutsche Wohnen Transaction.

11.1 Introduction

Vonovia's original attempt to acquire all shares in Deutsche Wohnen by way of voluntary public takeover offer to all shareholders of Deutsche Wohnen against payment of a cash consideration of EUR 52.00 per Deutsche Wohnen share was published on June 23, 2021. On July 26, 2021, Vonovia announced that the required minimum acceptance threshold had not been reached at the expiration date of the acceptance period and that, therefore, the original offer has not been successful.

On August 1, 2021, Vonovia announced its agreement with Deutsche Wohnen to launch a new voluntary public takeover offer subject to BaFin's waiver to grant an exemption from the one-year waiting period pursuant to section 26 paragraph 2 German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) for the submission of a new voluntary takeover offer. The waiver was granted by BaFin on August 5, 2021.

Subsequently, on August 23, 2021, Vonovia published a new voluntary public takeover offer to all shareholders of Deutsche Wohnen to acquire all shares in Deutsche Wohnen against payment of a cash consideration of EUR 53.00 per Deutsche Wohnen share. On September 13, 2021, Vonovia announced that it waived all offer conditions in its voluntary public takeover offer. The results of the new voluntary public takeover offer were announced on October 26, 2021. The Deutsche Wohnen Transaction ultimately closed on November 2, 2021. As of the date of this Prospectus, 2021, Vonovia holds 87.6% of the voting rights in Deutsche Wohnen.

The Deutsche Wohnen Transaction constitutes a significant gross change (with a material effect on net assets, financial position and results of operations) of Vonovia for the fiscal year ended December 31, 2020 and as of and for the nine-month period ended September 30, 2021. Therefore, Vonovia prepared the following pro forma consolidated financial information, consisting of a pro forma consolidated income statement for the period from January 1, 2020 to December 31, 2020, a pro forma consolidated income statement for the period from January 1, 2021 to September 30, 2021 and pro forma notes (together, the ***Pro Forma Consolidated Financial Information***).

The purpose of the Pro Forma Consolidated Financial Information is to show the material effects that the Deutsche Wohnen Transaction would have had on the historical consolidated financial statements of the Company, if closing of the Deutsche Wohnen Transaction had occurred on January 1, 2020 for purposes of the pro forma consolidated income statement for the period from January 1, 2020 to December 31, 2020 and the pro forma consolidated income statement for the period from January 1, 2021 to September 30, 2021.

As such, the presentation of the Pro Forma Consolidated Financial Information is based on certain pro forma assumptions described in the accompanying notes that Vonovia considers to be reasonable and is prepared for illustrative purposes only.

Therefore, the Pro Forma Consolidated Financial Information describes only a hypothetical situation and thus, due to its nature, the presentation does not reflect the actual financial position and results of operations of Vonovia after closing of the Deutsche Wohnen Transaction. In addition, the Pro Forma Consolidated Financial Information does neither present a forecast nor is it indicative of the financial position and results of operations of Vonovia at any future time.

Furthermore, the Pro Forma Consolidated Financial Information is only meaningful in conjunction with the Audited Consolidated Financial Statements of Vonovia as of and for the fiscal year ended December 31, 2020 and the Unaudited Condensed Interim Consolidated Financial Statements of Vonovia as of and for the nine-month period ended September 30, 2021.

11.2 Historical Financial Information

The Pro Forma Consolidated Financial Information is based on the following historical financial information:

- Audited Consolidated Financial Statements of Vonovia as of and for the fiscal year ended December 31, 2020 prepared in accordance with IFRS as adopted by the European Union and the additional requirements of German commercial law pursuant to Section 315e para. 1 of the German Commercial Code (*Handelsgesetzbuch*) (pages F-34 *et seqq.*), included into this Prospectus, and
- Unaudited Condensed Interim Consolidated Financial Statements of Vonovia as of and for the nine-month period ended September 30, 2021, prepared in accordance with IFRS as adopted by the European Union for interim financial reporting (IAS 34) (pages F-3 *et seqq.*), included into this Prospectus, and
- Audited Consolidated Financial Statements of Deutsche Wohnen as of and for the fiscal year ended December 31, 2020 prepared in accordance with IFRS as adopted by the European Union and the additional requirements of German commercial law pursuant to Section 315e para. 1 of the German Commercial Code (*Handelsgesetzbuch*) (pages F-424 *et seqq.*), included into this Prospectus, and
- Unaudited Interim Consolidated Financial Statements of Deutsche Wohnen as of and for the nine-month period ended September 30, 2021, prepared in accordance with IFRS as adopted by the European Union for interim financial reporting (IAS 34) (pages F-394 *et seqq.*), included into this Prospectus

With regard to the accounting policies of Vonovia for the underlying figures presented in the Pro Forma Consolidated Financial Information (the ***Basic Figures***), Vonovia refers to the notes to its Audited Consolidated Financial Statements as of and for the fiscal year ended December 31, 2020 and its Unaudited Condensed Interim Consolidated Financial Statements as of and for the nine-month period ended September 30, 2021.

11.3 Alignment of Historical Financial Information

Vonovia, and Deutsche Wohnen are both domiciled in Germany and are both with their respective group companies conducting a comparable business model in the residential real estate industry. Both holding companies of Vonovia and Deutsche Wohnen are public interest entities and are therefore preparing their consolidated financial statements under IFRS as adopted by the European Union and the additional requirements of German commercial law pursuant to Section 315e para. 1 of the German Commercial Code (*Handelsgesetzbuch)*.

In order to present uniform Basic Figures in the Pro Forma Consolidated Financial Information, the consolidated profit and loss statement of Deutsche Wohnen for the fiscal year ended December 31, 2020 and for the nine-month period ended September 30, 2021, respectively, have been adjusted to align with the accounting policies of Vonovia as applied in its audited consolidated financial statements as of and for the fiscal year ended December 31, 2020 and its unaudited condensed consolidated interim financial statements as of and for the nine-month period ended September 30, 2021.

The presentation of the Pro Forma Consolidated Financial Information is based on certain re-allocations performed for Deutsche Wohnen for purposes of preparing the alignment.

11.3.1 Accounting policy adjustments to the consolidated profit and loss statement of Deutsche Wohnen for the fiscal year ended December 31, 2020

The following table summarizes the accounting policy adjustments:

	Historical Deutsche Wohnen	Ref.	Presentation Adjustments	Accounting and valuation adjustments	Adjusted Deutsche Wohnen
			(unaudited)		
			(EUR millions)		
Income from property letting	–	1)	1,196.8	–	1,196.8
Income from residential property management	1,197.8	1)	(1,197.8)	–	–
Other income from property management	–	1), 2), 3)	287.0	–	287.0
Income from property management	**1,197.8**		**286.0**	**–**	**1,483.8**
Income from nursing operations	226.1	2)	(226.1)	–	–
Rental income from nursing assets	38.2	2)	(38.2)	–	–
Other income	21.7	3)	(21.7)	–	–
Profit on nursing operations	**286.0**		**(286.0)**	**–**	**–**
Income from disposal of properties [(1)]	1,251.6		–	–	1,251.6
Carrying amount of properties sold	(1,221.0)	10)	–	(28.5)	(1,249.5)
Revaluation of assets held for sale	–	4)	203.6	–	203.6
Profit on disposal of properties	**30.6**		**203.6**	**(28.5)**	**205.7**
Income from the disposal of properties (Development) [(2)]	6.8		–	–	6.8
Cost of sold properties [(3)]	(7.3)		–	–	(7.3)
Profit on the disposal of properties (Development)	**(0.5)**		**–**	**–**	**(0.5)**
Net income from fair value adjustments of investment properties [(4)]	1,856.4	4), 9), 10)	(203,6)	59.1	1,711.9
Capitalized internal expenses	–	5)	7.1	–	7.1
Cost of materials [(5)]	(540.6)		–	–	(540.6)
Personnel expenses [(6)]	(231.8)		–	–	(231.8)
Depreciation and amortization [(7)]	(40.0)		–	–	(40.0)
Other operating income	56.3	5)	(7.1)	–	49.2
Impairment losses on financial assets	(7.1)		–	–	(7.1)
Gains resulting from the derecognition of financial assets measured at amortized cost	–		–	–	–
Other operating expenses	(104.0)		–	–	(104.0)

Net income from investments accounted for using the equity method (8)	8.9		–	–	8.9
Interest income (9)	10.3		–	–	10.3
Interest expense (10)	(171.7)		–	–	(171.7)
Other financial result	–	6), 7)	(111.8)	–	(111.8)
Net income from fair value adjustment to financial instruments	(106.9)	6), 7), 8)	106.9	–	–
Earnings before tax	**2,243.7**		**(4.9)**	**30.6**	**2,269.4**
Income tax	(699.1)	9), 10)	–	0.4	(698.7)
Profit for the period	**1,544.6**		**(4.9)**	**31.0**	**1,570.7**

(1) Corresponds to "Income from sold properties" in the Deutsche Wohnen Consolidated Statement of Profit and Loss for the fiscal year ended December 31, 2020.
(2) Corresponds to "Income from sold properties (development)" in the Deutsche Wohnen Consolidated Statement of Profit and Loss for the fiscal year ended December 31, 2020.
(3) Corresponds to "Carrying amount of properties sold (development)" in the Deutsche Wohnen Consolidated Statement of Profit and Loss for the fiscal year ended December 31, 2020.
(4) Corresponds to "Gains/losses from the fair value adjustment of Investment properties" in the Deutsche Wohnen Consolidated Statement of Profit and Loss for the fiscal year ended December 31, 2020.
(5) Corresponds to "Cost of materials and services" in the Deutsche Wohnen Consolidated Statement of Profit and Loss for the fiscal year ended December 31, 2020.
(6) Corresponds to "Staff expenses" in the Deutsche Wohnen Consolidated Statement of Profit and Loss for the fiscal year ended December 31, 2020.
(7) Corresponds to "Depreciation, amortization and impairment" in the Deutsche Wohnen Consolidated Statement of Profit and Loss for the fiscal year ended December 31, 2020.
(8) Corresponds to "Earnings from investments accounted for using the equity method" in the Deutsche Wohnen Consolidated Statement of Profit and Loss for the fiscal year ended December 31, 2020.
(9) Corresponds to "Financial income" in the Deutsche Wohnen Consolidated Statement of Profit and Loss for the fiscal year ended December 31, 2020.
(10) Corresponds to "Financial expense" in the Deutsche Wohnen Consolidated Statement of Profit and Loss for the fiscal year ended December 31, 2020.

11.3.1.1 Explanation of the presentation adjustments

Deutsche Wohnen applies like Vonovia for its consolidated profit and loss statement the total cost method. However, there may be certain presentation adjustments required. In order to align the presentation, certain items of the Deutsche Wohnen consolidated profit and loss statement have been re-allocated.

(1) Deutsche Wohnen does not disclose income from property letting as a separate line item, but instead discloses the item income from residential property management. Accordingly, income from residential property management that relates to property letting was re-classified to income from property letting (EUR 1,196.8 million). As a result, expense subsidies from government (EUR 1.0 million) are presented as other income from property management.

(2) Deutsche Wohnen presents the income relating to its nursing operations separately. Vonovia did not have nursing operations historically. Accordingly, income from nursing operations (EUR 226.1 million) as well as rental income from nursing assets (EUR 38.2 million) are re-classified to other income from property management.

(3) Deutsche Wohnen presents its revenue from multimedia and other services as well as from the rental of broadband connections as other income. Vonovia does not disclose other income as a separate line item, but instead discloses the line item other income from property management. Accordingly, other income (EUR 21.7 million) is re-classified to other income from property management.

(4) Deutsche Wohnen discloses fair value adjustments of investment properties as well as fair value adjustments of assets held for sale as gains/losses from the fair value adjustment of investment properties. Vonovia instead discloses fair value adjustments of investment properties as net income from fair value adjustments of investment properties and fair value adjustments of assets held for sale as revaluation of assets held for sale. Therefore, the result from the fair value adjustments for assets held for sale (EUR 203.6 million) is re-classified to revaluation of assets held for sale.

(5) Deutsche Wohnen discloses its own work capitalized as other operating income. Vonovia instead discloses its capitalized internal expenses separately. Accordingly, own work capitalized (EUR 7.1 million) is re-classified to capitalized internal expenses.

(6) Deutsche Wohnen presents value adjustments to derivative financial instruments as net income from fair value adjustments to financial instruments. Vonovia instead presents these value adjustments within other financial results. Accordingly, value adjustments to derivative financial instruments (EUR 15.6 million) are re-classified to other financial results.

(7) Deutsche Wohnen presents value adjustments to the convertible bonds as well as value adjustments to financial investments classified as financial instruments as net income from fair value adjustments to financial instruments. Since Vonovia does not disclose a separate line item these value adjustments are re-classified to other financial result (EUR 96.2 million).

(8) Deutsche Wohnen classifies most of its investments in equity instruments as fair value through profit or loss. Vonovia instead exercises the irrevocable option to state future changes to the fair value in other comprehensive income. Accordingly, the effects on the income statement in the line item net income from fair value adjustments to financial instruments (EUR 4.9 million) are eliminated.

11.3.1.2 Explanation of accounting and valuation adjustments

(9) Deutsche Wohnen measures its residential project properties using the residual value method (net present value after completion minus project development costs). Vonovia instead uses the cost method until the construction is complete. Accordingly, net income from the fair value adjustment of investment properties is adjusted by EUR 3.2 million as well as the corresponding effect on income taxes of EUR 1.0 million.

(10) Deutsche Wohnen presents acquired land and buildings which are intended to be sold within the normal course of business as land and buildings held for sale (*i.e.* inventories). Deutsche Wohnen measures these inventories initially at cost and subsequently at the lower of cost and net realizable value.

Vonovia instead is presenting such land and buildings as investment properties due to the rather high uncertainty of whether these assets will be used or sold in the future until those are subject to sale, Vonovia measures these land and buildings at its respective fair values. Thus, the carrying amount of properties sold increased (EUR 28.5 million), since the gain has already been recognized via the fair value measurement in prior periods. Conversely, due to the fair value measurement of these assets as of December 31, 2020 the net income from the fair value adjustment of investment properties increases (EUR 62.3 million). In addition, income taxes also decrease (EUR 0.6 million) due to the higher book value of the disposed assets resulting from their fair value measurement.

11.3.2 Accounting policy adjustments to the consolidated profit and loss statement of Deutsche Wohnen for the nine-month period ended September 30, 2021

The following table summarizes the accounting policy adjustments:

	Historical Deutsche Wohnen	Ref.	Presentation Adjustments	Accounting and valuation adjustments	Adjusted Deutsche Wohnen
			(unaudited)		
			(EUR millions)		
Income from property letting	–	1)	899.8	–	899.8
Income from residential property management	900.5	1)	(900.5)	–	–
Other income from property management	–	1), 2), 3)	215.1	–	215.1
Income from property management	**900.5**		**214.4**	**–**	**1,114.9**
Income from nursing operations	172.7	2)	(172.7)	–	–
Rental income from nursing assets	25.3	2)	(25.3)	–	–
Other income	16.4	3)	(16.4)	–	–
Profit on nursing operations	**214.4**		**(214.4)**	**–**	**–**
Income from disposal of properties [1]	197.3		–	–	197.3
Carrying amount of properties sold	(192.6)	9)	–	(4.9)	(197.5)
Revaluation of assets held for sale	–	4)	129.9	–	129.9
Profit on disposal of properties	**4.7**		**129.9**	**(4.9)**	**129.7**
Income from the disposal of properties (development) [2]	14.2		–	–	14.2
Cost of sold properties [3]	(13.5)		–	–	(13.5)
Profit on the disposal of properties (Development)	**0.7**		**–**	**–**	**0.7**
Net income from fair value adjustments of investment properties [4]	1,484.2	4),8), 9)	(129.9)	(2.0)	1,352.3
Capitalized internal expenses	–	5)	5.3	–	5.3
Cost of materials [5]	(388.6)		–	–	(388.6)
Personnel expenses [6]	(177.0)		–	–	(177.0)
Depreciation and amortization [7]	(29.1)		–	–	(29.1)
Other operating income	59.7	5)	(5.3)	–	54.4
Impairment losses on financial assets	(4.9)			–	(4.9)
Gains resulting from the derecognition of financial assets measured at amortized cost	–		–	–	–
Other operating expenses	(124.3)		–	–	(124.3)
Net income from investments accounted for using the equity method [8]	(16.5)		–	–	(16.5)
Interest income [9]	22.4		–	–	22.4
Interest expense [10]	(127.8)		–		(127.8)
Other financial result	–	6), 7)	(347.2)	–	(347.2)
Net income from fair value adjustments to financial instruments	(347.2)	6), 7)	347.2	–	–

	Historical Deutsche Wohnen	Ref.	Presentation Adjustments	Accounting and valuation adjustments	Adjusted Deutsche Wohnen
			(unaudited)		
			(EUR millions)		
Earnings before tax	**1,471.2**		**–**	**(6.9)**	**1,464.3**
Income tax	(630.6)	8), 9)	–	(0.8)	(631.4)
Profit for the period	**840.6**		**–**	**(7.7)**	**832.9**

(1) Corresponds to "Income from sold properties" in the Deutsche Wohnen Consolidated Statement of Profit and Loss for the fiscal year ended September 30, 2021.
(2) Corresponds to "Income from sold properties (development)" in the Deutsche Wohnen Consolidated Statement of Profit and Loss for the fiscal year ended September 30, 2021.
(3) Corresponds to "Carrying amount of properties sold" (development) in the Deutsche Wohnen Consolidated Statement of Profit and Loss for the fiscal year ended September 30, 2021.
(4) Corresponds to "Gains/losses from the fair value adjustment of Investment properties" in the Deutsche Wohnen Consolidated Statement of Profit and Loss for the fiscal year ended September 30, 2021.
(5) Corresponds to "Cost of materials and services" in the Deutsche Wohnen Consolidated Statement of Profit and Loss for the fiscal year ended September 30, 2021.
(6) Corresponds to "Staff expenses" in the Deutsche Wohnen Consolidated Statement of Profit and Loss for the fiscal year ended September 30, 2021.
(7) Corresponds to "Depreciation, amortization and impairment" in the Deutsche Wohnen Consolidated Statement of Profit and Loss for the fiscal year ended September 30, 2021.
(8) Corresponds to "Earnings from investments accounted for using the equity method" in the Deutsche Wohnen Consolidated Statement of Profit and Loss for the fiscal year ended September 30, 2021.
(9) Corresponds to "Financial income" in the Deutsche Wohnen Consolidated Statement of Profit and Loss for the fiscal year ended September 30, 2021.
(10) Corresponds to "Financial expense" in the Deutsche Wohnen Consolidated Statement of Profit and Loss for the fiscal year ended September 30, 2021.

11.3.2.1 Explanation of the presentation adjustments

In order to align the presentation, certain items of the consolidated profit and loss statement of Deutsche Wohnen have been re-allocated.

(1) Deutsche Wohnen does not disclose income from property letting as a separate line item, but instead discloses the item income from residential property management. Accordingly, income from residential property management that relates to property letting was re-classified to income from property letting (EUR 899.8 million). As a result, expense subsidies from government (EUR 0.7 million) are presented as other income from property management.

(2) Deutsche Wohnen presents the income relating to its nursing operations separately. Vonovia did not have nursing operations historically. Accordingly, income from nursing operations (EUR 172.7 million) as well as rental income from nursing assets (EUR 25.3 million) are re-classified to other income from property management.

(3) Deutsche Wohnen presents its revenue from multimedia and other services as well as from the rental of broadband connections as other income. Vonovia does not disclose other income as a separate line item, but instead discloses the line item other income from property management. Accordingly, other income (EUR 16.4 million) is re-classified to other income from property management.

(4) Deutsche Wohnen discloses fair value adjustments of investment properties as well as fair value adjustments of assets held for sale as gains/losses from the fair value adjustment of investment properties. Vonovia instead discloses fair value adjustments of investment properties as net income

from fair value adjustments of investment properties and fair value adjustments of assets held for sale as revaluation of assets held for sale. Therefore, the result from the fair value adjustments for assets held for sale (EUR 129.9 million) is re-classified to revaluation of assets held for sale.

(5) Deutsche Wohnen discloses its own work capitalized as other operating income. Vonovia instead discloses its capitalized internal expenses separately. Accordingly, own work capitalized (EUR 5.3 million) is re-classified to capitalized internal expenses.

(6) Deutsche Wohnen presents value adjustments to derivative financial instruments as net income from fair value adjustments to financial instruments. Vonovia instead presents these value adjustments within other financial results. Accordingly, value adjustments to derivative financial instruments (EUR 6.5 million) are re-classified to other financial results.

(7) Deutsche Wohnen presents value adjustments to the convertible bonds as well as value adjustments to financial investments classified as financial instruments as net income from fair value adjustments to financial instruments. Since Vonovia does not disclose a separate line item these value adjustments are re-classified to other financial result (EUR 353.7 million).

11.3.2.2 Explanation of accounting and valuation adjustments

(8) Deutsche Wohnen measures its residential project properties using the residual value method (net present value after completion minus project development costs). Vonovia instead uses the cost method until the construction is complete. Accordingly, net income from the fair value adjustment of investment properties is adjusted by EUR 25.3 million as well as the corresponding effect on income taxes of EUR 7.2 million.

(9) Deutsche Wohnen presents acquired land and buildings which are intended to be sold within the normal course of business as land and buildings held for sale (*i.e.* inventories). Deutsche Wohnen measures these inventories initially at cost and subsequently at the lower of cost and net realizable value.

Vonovia instead is presenting such land and buildings as investment properties due to the rather high uncertainty of whether these assets will be used or sold in the future until those are subject to sale, Vonovia measures these land and buildings at its respective fair values. Thus, the carrying amount of properties sold increased (EUR 4.9 million), since the gain has already been recognized via the fair value measurement in prior periods. Conversely, due to the fair value measurement of these assets as of December 31, 2020 the net income from the fair value adjustment of investment properties increases (EUR 23.3 million). In addition, income taxes also decrease (EUR 7.9 million) due to the higher book value of the disposed assets resulting from their fair value measurement.

11.4 Basis of Preparation

11.4.1 Principles of preparation

The Pro Forma Consolidated Financial Information was prepared based on the IDW Accounting Practice Statement: Preparation of Pro Forma Financial Information (IDW AcPS AAB 1.004) (*IDW Rechnungslegungshinweis: Erstellung von Pro-Forma-Finanzinformationen (IDW RH HFA 1.004)*), as promulgated by the Institute of Public Auditors in Germany (*IDW, Institut der Wirtschaftsprüfer in Deutschland e.V.*) and in accordance with Annex 20 of the Commission Delegated Regulation (EU) 2019/980.

As presented before, in a first step, variations in the application of the respective IFRS standards with regard to presentation have been evaluated and in a second step, the deviations in valuation and accounting application have been identified. Based on these investigations respective adjustments to the consolidated statements of profit and loss of Deutsche Wohnen have been worked out to reflect the Vonovia accounting principles application shown as and in separate columns in the transition of the Deutsche Wohnen consolidated statements of profit and loss to such under Vonovia accounting principles incorporated in the Pro Forma Consolidated Financial Information.

In a third step the consolidated statements of profit and loss of Deutsche Wohnen at Vonovia accounting principles are consolidated into the Vonovia consolidated income statements. For this exercise certain assumptions must be derived from the Deutsche Wohnen Transaction to execute the respective consolidation and pro forma adjustments to generate the Pro Forma Consolidated Financial Information.

The pro forma adjustments made for purposes to reflect the impact of the Deutsche Wohnen Transaction on the Pro Forma Consolidated Financial Information are based on information available, as well as certain pro forma assumptions of Vonovia as described in these pro forma notes.

The Pro Forma Consolidated Financial Information contains neither potential synergies, cost savings, normalization of any restructuring or potential assets nor additional future expenses or potential liabilities that could result from the closing of the Deutsche Wohnen Transaction.

Conversely, the Pro Forma Consolidated Financial Information may include certain income and expenses, which may not have materialized if closing of the Deutsche Wohnen Transaction had occurred prior to January 1, 2020 for purposes of the pro forma consolidated income statement for the period from January 1, 2020 to December 31, 2020 and the pro forma consolidated income statement for the period from January 1, 2021 to September 30, 2021.

The Pro Forma Consolidated Financial Information is presented in euros and all figures have been rounded to the nearest EUR million, unless otherwise stated. For computational reasons, there may be rounding differences to the exact mathematical values in tables and references.

Parentheses around any figures in the tables indicate negative values. A dash ("–") means that the relevant figure is not available or not existent, while a zero ("0") means that the relevant figure has been rounded to zero (see also "*2.9 Currency Presentation and Presentation of Figures*").

For the avoidance of doubt, the information necessary to perform the accounting policy adjustments and pro forma adjustments, where applicable to Deutsche Wohnen consolidated statements of profit and loss, was prepared with support by Deutsche Wohnen.

This information has been accurately reproduced and as far as Vonovia is aware and is able to ascertain from information provided by Deutsche Wohnen, no facts have been omitted which would render the reproduced information inaccurate or misleading.

11.4.2 Pro forma assumptions

11.4.2.1 Date of acquisition

For purposes of the Pro Forma Consolidated Financial Information, it is assumed that the closing of the Deutsche Wohnen Transaction and the subsequent obtainment of control of Deutsche Wohnen by Vonovia in accordance with IFRS 10 had occurred as of January 1, 2020 with respect to the pro forma consolidated income statement for the period from January 1, 2020 to December 31, 2020 and the pro forma consolidated income statement for the period from January 1, 2021 to September 30, 2021.

11.4.2.2 *Structure of the Deutsche Wohnen Transaction (including the voluntary takeover offer to GSW shareholders)*

Pre-acquisition

Vonovia firstly acquired a total of 37,496,064 Deutsche Wohnen shares (approximately 10.43% of the share capital and voting rights in Deutsche Wohnen) on the stock market between April 20, 2021 and June 16, 2021. The highest consideration paid in this regard for one Deutsche Wohnen share was EUR 51.94. The transfer of these 37,496,064 Deutsche Wohnen shares took place between April 22, 2021 and June 18, 2021.

On June 9, 2021, Vonovia concluded a purchase agreement with Norges Bank, Oslo, Norway, regarding 24,559,000 Deutsche Wohnen shares (approximately 6.82% of the share capital and voting rights in Deutsche Wohnen), which was closed on June 18, 2021. The price amounted to EUR 53.00 per Deutsche Wohnen share.

On June 9, 2021, Vonovia concluded a purchase agreement with Burlington Loan Management, Dublin, Ireland, regarding 4,002,695 Deutsche Wohnen shares (approximately 1.11% of the share capital and voting rights in Deutsche Wohnen), which was closed on June 18, 2021. The price also amounted to EUR 52.00 per Deutsche Wohnen share.

As of June 30, 2021, Vonovia held an aggregate amount of 66,057,759 Deutsche Wohnen shares (approximately 18.36% of the share capital and voting rights in Deutsche Wohnen).

Furthermore, on May 24, 2021 Vonovia concluded a purchase agreement with Deutsche Wohnen to acquire 12,708,563 Deutsche Wohnen shares (approximately 3.53% of the share capital and voting rights in Deutsche Wohnen) (the ***DW Share Purchase Agreement***). The agreed price per Deutsche Wohnen share amounts to EUR 52.00. By way of an agreement dated June 18, 2021, Vonovia and Deutsche Wohnen restated the DW Share Purchase Agreement such that the acquisition of shares would only close if and as soon as Vonovia published that the original voluntary public takeover offer had not been successful. On July 21, 2021, the original voluntary public takeover offer lapsed unsuccessfully, and the parties agreed to close the DW Share Purchase Agreement on August 2, 2021.

As of July 21, 2021, Vonovia held an aggregate amount of 78,766,322 Deutsche Wohnen shares (approximately 21.89% of the share capital and voting rights in Deutsche Wohnen) and as a result, Vonovia had a significant influence with effect from July 21, 2021. Consequently, for purposes of its unaudited condensed consolidated interim financial statements as of and for the nine-month period ended September 30, 2021 Vonovia accounted for the acquired financial assets as part of the Pre-Acquisition at fair value through other comprehensive income until July 21, 2021. Beginning from July 21, 2021, Vonovia accounted for its investment in Deutsche Wohnen using the equity method in accordance with IAS 28 Investments in Associates.

Vonovia acquired a total of 800,317 Deutsche Wohnen shares (approximately 0.21% of the share capital and voting rights in Deutsche Wohnen) on the stock market between July 22, 2021 and August 23, 2021. Therefore, the highest consideration paid in this regard for one Deutsche Wohnen share was EUR 51.94. Transfer of these 800,317 Deutsche Wohnen shares took place between July 22, 2021 and August 23, 2021.

On July 28, 2021, Vonovia acquired 900,000 Deutsche Wohnen shares (approximately 0.25% of the share capital and voting rights in Deutsche Wohnen) from Syquant Capital SAS, Paris, France. The price amounted to EUR 53.00 per Deutsche Wohnen share.

On July 29, 2021, August 3, 2021 and August 4, 2021 Vonovia acquired a total of 400,000 Deutsche Wohnen shares (approximately 0.11% of the share capital and voting rights in Deutsche Wohnen) from various funds managed by Bardin Hill Investment Partners L.P., New York, United States. The price amounted to EUR 53.00 per Deutsche Wohnen share.

On July 30, 2021, and August 2, 2021 Vonovia acquired a total of 15,000,000 shares (approximately 4.17% of the share capital and voting rights in Deutsche Wohnen) from various funds managed by HBK Investments L.P., Dallas/Texas, United States. The price amounted to EUR 53.00 per Deutsche Wohnen share.

On August 3, 2021, August 4, 2021, August 5, 2021 and August 6, 2021 Vonovia acquired a total of 12,100,000 shares (approximately 3.36% of the share capital and voting rights in Deutsche Wohnen) from Pentwater Capital Management Europe LLP, London, United Kingdom. The price amounted to EUR 53.00 per Deutsche Wohnen share. Financing of the Pre-Acquisition was made by existing cash and cash equivalents and by way of issuance of five unsecured corporate bonds on June 9, 2021 and by way of issuance of five additional unsecured corporate bonds on August 26, 2021.

In total, Vonovia acquired 107,967,639 Deutsche Wohnen shares (approximately 29.99% of the share capital and voting rights in Deutsche Wohnen) via both on and off-exchange trading between April 20, 2021 and August 23, 2021 (the ***Pre-Acquisition***), as described above.

Deutsche Wohnen Transaction

The Deutsche Wohnen Transaction was carried out through a public takeover offer for a cash consideration of EUR 53.00 per Deutsche Wohnen share, which launched on August 23, 2021. Up until September 30, 2021, Vonovia SE had acquired a further 33,500,856 shares in Deutsche Wohnen either on the market or by way of individual agreements, and 42,999,948 shares in Deutsche Wohnen had been submitted during the acceptance period for the public takeover offer. All in all, this corresponds to a share of around 50.38% in the share capital on September 30, 2021, less 3,362,003 shares held by Deutsche Wohnen, for which the voting rights cannot be exercised. For purposes of its unaudited condensed consolidated interim financial statements as of and for the nine-month period ended September 30, 2021 Vonovia accounts for the acquisition of Deutsche Wohnen as a business combination in accordance with IFRS 3 as control of Deutsche Wohnen was obtained on September 30, 2021.

The shares in Deutsche Wohnen were included in Vonovia's scope of consolidation as an associate as of July 21, 2021 and were fully consolidated as of September 30, 2021. During the period from January 1, 2021 to September 30, 2021, other operating income includes the increase in the value of the non-current equity investment in Deutsche Wohnen. The income is due to the recognition of the non-current equity investment at its fair value in connection with the switch from inclusion using the equity method to full consolidation. As a result, it reflects the difference between the adjusted value using the equity method and fair value as of September 30, 2021.

Until September 30, 2021 Vonovia acquired 3,075 units of the convertible bonds of Deutsche Wohnen with a nominal value of EUR 307.5 million, such 3,075 units can be converted into 7,796,827 shares in Deutsche Wohnen.

Between October 1, 2021 and October 21, 2021, a further 47,112,844 shares in Deutsche Wohnen had been submitted during the acceptance period for the public takeover offer and 108,350,369 shares in Deutsche Wohnen had been submitted during the extended acceptance period for the public takeover offer. As of October 21, 2021, Vonovia holds in total 347,728,483 shares (87.6%) in Deutsche Wohnen.

As committed by Vonovia as part of the new voluntary public takeover offer to all shareholders of Deutsche Wohnen on August 23, 2021, and as published on October 29, 2021, in the voluntary public takeover offer to the shareholders of GSW, Vonovia offers to the shareholders of GSW for the acquisition of all no-par value bearer shares in GSW not already held directly by Vonovia. For each share representing a pro rata amount of EUR 1.00 of the share capital, Vonovia offers a payment of a cash consideration of EUR 114.81 per tendered share of GSW. The acceptance period ends as of December 20, 2021. For purposes of the Pro Forma Consolidated Financial Information it is assumed that all shares of GSW in free float (546,658 shares) are tendered during the acceptance period and in consequence are treated as if already acquired by Vonovia as of January 1, 2020. The consideration for such acquisition amounts to EUR 63.2 million and additional transaction costs of EUR 0.4 million.

For purposes of the Pro Forma Consolidated Financial Information, the total consideration for the Deutsche Wohnen Transaction (including the voluntary takeover offer to GSW shareholders) anticipating all of the aforementioned acquisitions is EUR 18.4 billion.

11.4.2.3 Transaction costs related to the Deutsche Wohnen Transaction

For purposes of the Pro Forma Consolidated Financial Information, it is assumed that the transaction costs related to the Deutsche Wohnen Transaction are treated as if incurred prior to January 1, 2020 with respect to the pro forma consolidated income statement for the period from January 1, 2020 to December 31, 2020.

Furthermore, for purposes of the Pro Forma Consolidated Financial Information, it is assumed that the transaction costs of Vonovia related to the Deutsche Wohnen Transaction will amount to EUR 240 million, of which EUR 176 million were already incurred as of September 30, 2021. In contrast to the transaction costs already incurred as of September 30, 2021 of EUR 183 million as reported in the unaudited condensed consolidated interim financial statements of Vonovia as of and for the nine-month period ended September 30, 2021, the transaction costs for the corporate bond issued on August 26, 2021 have only been included proportionately in the transaction costs for purposes of the Pro Forma Consolidated Financial Information since the total proceeds are only intended proportionately to finance the Deutsche Wohnen Transaction. For Deutsche Wohnen it is assumed that the transaction costs related to the Deutsche Wohnen Transaction will amount to EUR 52 million, of which EUR 52 million were already incurred as of September 30, 2021.

11.4.2.4 Corporate bonds

In order to finance the purchase of Deutsche Wohnen (including the voluntary takeover offer to GSW shareholders) as well as upcoming repayments, Vonovia issued five unsecured corporate bonds on June 10, 2021, with total proceeds of EUR 4 billion and an average coupon of 0.6875% (***Corporate Bond June***). In addition, on August 26, 2021, Vonovia issued five unsecured corporate bonds with total proceeds of EUR 5 billion and an average coupon of 0.49% (***Corporate Bond August*** and together with the Corporate Bond June, the ***Corporate Bonds***). Whilst the total proceeds of the Corporate Bond June have been used especially to finance the Pre-Acquisition and refinance the bridge financing of the Deutsche Wohnen Transaction (including the voluntary takeover offer to GSW shareholders), approximately EUR 3.2 billion of the total proceeds of EUR 5 billion of the Corporate Bond August are earmarked to refinance the bridge financing of the Deutsche Wohnen Transaction (including the voluntary takeover offer to GSW shareholders).

For purpose of the pro forma consolidated income statement for the period from January 1, 2020 to December 31, 2020 and the pro forma consolidated income statement for the period from January 1, 2021 to September 30, 2021, it is assumed that the Corporate Bonds were issued on January 1, 2020. Thus, interest expenses for the Corporate Bonds have been reflected in the Pro Forma Consolidated Information from January 1, 2020 onwards.

11.4.2.5 Bridge Facilities Agreement

In connection with the Deutsche Wohnen Transaction (including the voluntary takeover offer to GSW shareholders), Vonovia, as company and borrower, entered on August 5, 2021 into the Bridge Facilities Agreement in the amount of EUR 20.15 billion, which was subsequently cancelled (i) in an amount of EUR 3.15 billion to reduce the outstanding amount under the Bridge Facilities Agreement to EUR 17.0 billion due to bond proceeds received by Vonovia and (ii) in an amount of EUR 1.40 billion to reduce the outstanding amount under the Facilities Agreement to EUR 15.6 billion as at November 5, 2021.

The Bridge Facilities Agreement comprises two term loan facilities (facility A and facility B) each of which may be utilized in euro. As of September 30, 2021, the total commitments under facility A amount to EUR 7.6 billion and the total commitments under facility B amount to EUR 9.4 billion. The total commitment under facility B was subsequently canceled in the amount of EUR 1.4 billion to amount to EUR 8.0 billion effective as of November 5, 2021.

The loans under each of the facilities bear interest at a floating currency related reference rate plus a margin which periodically increases over time. In each case, the reference rate has a floor of zero so that the full margin remains payable in case of a negative reference rate.

The pro forma adjustments in respect of the Bridge Facilities Agreement are based on the following assumptions:

- For purpose of the pro forma consolidated income statement for the period from January 1, 2020 to December 31, 2020 and the pro forma consolidated income statement for the period from January 1, 2021 to September 30, 2021, it is assumed that the Bridge Facilities Agreement was drawn on January 1, 2020.
- The Bridge Facilities Agreement will only be drawn in the amount necessary of EUR 2.71 billion. This amount is based on deducting the net proceeds of the capital increase (EUR 7.92 billion), the Corporate Bonds (EUR 7.12 billion) and existing cash and cash equivalent (EUR 0.76 billion), plus the related transaction costs of the Bridge Facilities Agreement.
- The interest expenses due to the Bridge Facilities Agreement are presented in the pro forma consolidated income statement for the period from January 1, 2020 to December 31, 2020 and the pro forma consolidated income statement for the period from January 1, 2021 to September 30, 2021, *i.e.* for a total period of 21 months. Based on this duration and certain other assumptions, which Vonovia considers to be reasonable, Vonovia has calculated an average nominal interest rate of approximately 0.72% p.a. for both periods presented. Applying the effective interest method, the nominal interest rates including the debt issuance costs, resulted in an effective interest rate of 3.32% p.a. The respective financial expenses, which are included in the pro forma consolidated income statement for the period from January 1, 2020 to December 31, 2020 and the pro forma consolidated income statement for the period from January 1, 2021 to September 30, 2021, have been calculated based on this interest rate.
- For purposes of the Pro Forma Consolidated Financial Information, it is assumed that the one-time fees and commitment fees relating to the Bridge Facilities Agreement in the amount of EUR 118 million for the nine-month period ended September 30, 2021 are treated as if incurred prior to January 1, 2020 with respect to the pro forma consolidated income statement for the period from January 1, 2021 to September 30, 2021.

11.4.2.6 Capital Increase

In connection with the Deutsche Wohnen Transaction (including the voluntary takeover offer to GSW shareholders), Vonovia intends to perform a capital increase against contributions in cash (the ***Capital***

Increase). The net proceeds from the Capital Increase shall be used to repay amounts drawn down under the Bridge Facilities Agreement.

The pro forma adjustments in respect of the Capital Increase are – for purposes of preparing the Pro Forma Financial Information – based on the following assumptions:

- For purposes of the pro forma consolidated income statement for the period from January 1, 2020 to December 31, 2020 and the pro forma consolidated income statement for the period from January 1, 2021 to September 30, 2021, it is assumed that the capital increase took place on January 1, 2020.
- Vonovia will issue 201,340,062 new shares. The subscription price will amount to EUR 40.00 per share.
- For purposes of the Pro Forma Consolidated Financial Information, the subscription price is determined based on the stock price of EUR 55.72 as of November 19, 2021 and an assumed discount of 28.21%.
- Following the implementation of the capital increase, based on the assumption that all shares are subscribed for and the implementation of the capital increase through the issuance of 201,340,062 shares against contribution in cash was registered with the commercial register, Vonovia's common stock will increase by 201,340,062 shares to a total theoretical weighted average number of shares of 771,929,536 as of September 30, 2021. The net proceeds of the capital increase will amount to EUR 7.92 billion and will be used to repay amounts drawn under the Bridge Facilities Agreement in connection with the Deutsche Wohnen Transaction.

11.4.2.7 Transaction costs for the Capital Increase

For purposes of the Pro Forma Consolidated Financial Information, it is assumed that the transaction costs related to the Capital Increase are fully tax-deductible and treated as if incurred prior to January 1, 2020 with respect to the pro forma consolidated income statement for the period from January 1, 2020 to December 31, 2020 and the pro forma consolidated income statement for the period from January 1, 2021 to September 30, 2021.

For purposes of the Pro Forma Consolidated Financial Information, it is assumed that the transaction costs related to the Capital Increase will amount to EUR 136.0 million, based on the existing information as of November 19, 2021. None of the transaction costs were already incurred as of September 30, 2021 In accordance with IFRS transaction costs of an equity transaction shall be accounted for as a deduction from equity, net of any related income tax benefit.

11.4.2.8 Other assumptions

Income tax and/or deferred tax effects are only considered for accounting policy adjustments and pro forma adjustments, if a material impact on the Pro Forma Consolidated Financial Information was identified and explicitly stated.

The acquisition of Bien-Ries AG and H&L Immobilien GmbH as well as the acquisition of a 2.6% stake in the Vesteda Residential Fund on Vonovia's side as well as the acquisition of Isaria AG on the Deutsche Wohnen side were not considered for purposes of the Pro Forma Consolidated Financial Information due to non-materiality.

For the purpose of the Pro Forma Consolidated Financial Information, it is further assumed that both convertible bonds issued by Deutsche Wohnen will be converted by the holders of the convertible bond resulting in the issuance of 40,344,203 new shares of Deutsche Wohnen which equals the de facto conversion of the convertible bonds as of November 2, 2021.

For purpose of the Pro Forma Consolidated Financial Information, the effective interest rate for the determination of additional interest expense for the period from January 1, 2020 to December 31, 2020, for external financing for the acquisition of Deutsche Wohnen shares as part of the Pre-Acquisition, is assumed to be equal to the effective interest rate of the Bridge Facilities Agreement.

In connection with the Deutsche Wohnen Transaction, Vonovia committed to the land of Berlin an option to acquire approximately 15,000 units in Berlin if the Deutsche Wohnen Transaction takes place. The 15,000 units will be provided from the joint real estate portfolio of Vonovia and Deutsche Wohnen. The disposal of the approximately 15,000 units in Berlin does not represent a regulatory condition to the Deutsche Wohnen Transaction. Nonetheless, the commitment of Vonovia is factually binding. For purposes of the Pro Forma Consolidated Financial Information the disposal of the Berlin Portfolio was not considered due to non-materiality.

Prior to the closing of the Deutsche Wohnen Transaction no significant transactions existed between Vonovia and Deutsche Wohnen.

For purposes of the Pro Forma Consolidated Financial Information, it is assumed that no change-of-control events exist that will result in a material impact on the Pro Forma Consolidated Financial Information.

For purposes of calculating the earnings per share as part of the Pro Forma Consolidated Financial Information, it is assumed that the accounting policy adjustments proportionally affect the attributable profit to the non-controlling interests of Deutsche Wohnen. In addition, it is assumed that the pro forma adjustments affect the attributable profit to the non-controlling interest of Vonovia relating to Deutsche Wohnen based on the nature of the individual pro forma adjustment. Further, for purposes of calculating the earnings per share as part of the Pro Forma Consolidated Financial Information, for the period from January 1, 2020 to December 31, 2020 a total of 751,756,082 shares held by the shareholders of Vonovia and for the period from January 1, 2021 to September 30, 2021 a total of 771,929,536 shares held by the shareholders of Vonovia is assumed.

11.5 Pro Forma Presentation of the Acquisition of Deutsche Wohnen

11.5.1 Accounting for the acquisition

On September 30, 2021, Vonovia SE had acquired 50.38% shares in Deutsche Wohnen. The new valuation of the existing shares in Deutsche Wohnen SE required in connection with the first-time consolidation as of September 30, 2021 resulted in EUR 87,5 million. Between October 1, 2021 and October 21, 2021, a further 47,112,844 shares in Deutsche Wohnen had been submitted during the acceptance period for the public takeover offer and 108,350,369 shares in Deutsche Wohnen had been submitted during the extended acceptance period for the public takeover offer. The Deutsche Wohnen Transaction is accounted for as a business combination in accordance with IFRS 3.

As such, the initial consolidation of a business acquired takes place at the time at which the acquiring company obtains control in accordance with IFRS 10 over the acquired business.

As control was not obtained before September 30, 2021 the consolidated income statement of Vonovia for the fiscal year ended December 31, 2020 and the consolidated income statement of Vonovia for the nine-month period ended September 30, 2021 do not contain any income and expenses or assets and liabilities of Deutsche Wohnen until the respective date for transfer of control.

The cash consideration was financed via debt at closing.

For purposes of the Pro Forma Consolidated Financial Information, it is assumed that the closing of the Deutsche Wohnen Transaction and the subsequent obtainment of control of Deutsche Wohnen by

Vonovia in accordance with IFRS 3 and IFRS 10 had occurred as of January 1, 2020 with respect to the pro forma consolidated income statement for the period from January 1, 2020 to December 31, 2020 and the pro forma consolidated income statement for the period from January 1, 2021 to September 30, 2021.

11.5.2 Preliminary Purchase Price Allocation

The Deutsche Wohnen Transaction is accounted for as a business combination in accordance with IFRS 3. IFRS 3 generally requires all assets, liabilities and contingent liabilities to be measured at fair value at the time of acquisition. This includes in particular fair value adjustments for loans, deferred tax assets and deferred tax liabilities.

For purposes of the Pro Forma Consolidated Financial Information, this purchase price allocation was undertaken based on a preliminary valuation of the acquired net assets at fair value as of September 30, 2021 (the ***Preliminary PPA***). The income statement effects from the development of the Preliminary PPA were taken into account in the pro forma consolidated income statement for the period from January 1, 2020 to December 31, 2020 and for the nine-month period from January 1, 2021 to September 30, 2021.

The Preliminary PPA is based on the most current available information using certain estimates and assumptions in order to assess the fair value of the assets acquired and liabilities assumed. The final purchase price allocation will be carried out based on the actual total consideration transferred and the fair values of the acquired net assets as of the acquisition date (September 30, 2021). Therefore, the final purchase price allocation may differ significantly from the Preliminary PPA that was used for purposes of the Pro Forma Consolidated Financial Information.

11.5.3 Acquisition related costs

In accordance with IFRS 3.53, the acquisition related costs in connection with the Deutsche Wohnen Transaction were accounted for as expenses.

11.6 Pro Forma Presentation

11.6.1 Pro forma consolidated income statement for the period from January 1, 2020 to December 31, 2020

	January 1, 2020 to December 31, 2020					
	Historical Financial Information					
	Vonovia	Adjusted Deutsche Wohnen	Totals	Pro forma note	Pro forma adjustment	Pro forma consolidated income statement
	(EUR in millions)					
	(unaudited)					
Income from property letting	3,069.4	1,196.8	4,266.2		–	4,266.2
Other income from property management	77.7	287.0	364.7		–	364.7
Income from property management	**3,147.1**	**1,483.8**	**4,630.9**		**–**	**4,630.9**
					–	
Income from disposal of properties	586.3	1,251.6	1,837.9		–	1,837.9
Carrying amount of properties sold	(482.4)	(1,249.5)	(1,731.9)		–	(1,731.9)
Revaluation of assets held for sale	78.2	203.6	281.8		–	281.8

	January 1, 2020 to December 31, 2020					
	Historical Financial Information					
	Vonovia	**Adjusted Deutsche Wohnen**	**Totals**	**Pro forma note**	**Pro forma adjustment**	**Pro forma consolidated income statement**
	(EUR in millions)					
	(unaudited)					
Profit on disposal of properties	**182.1**	**205.7**	**387.8**		**–**	**387.8**
					–	
Income from the disposal of properties (Development)	297.7	6.8	304.5		–	304.5
Cost of sold properties	(235.9)	(7.3)	(243.2)		–	(243.2)
Profit on the disposal of properties (Development)	**61.8**	**(0.5)**	**61.3**		**–**	**61.3**
					–	
Net income from fair value adjustments of investment properties	3,719.8	1,711.9	5,431.7		–	5,431.7
Capitalized internal expenses	659.4	7.1	666.5		–	666.5
Cost of materials	(1,493.4)	(540.6)	(2,034.0)		–	(2,034.0)
Personnel expenses	(594.9)	(231.8)	(826.7)	11)	(6.3)	(833.0)
Depreciation and amortization	(92.3)	(40.0)	(132.3)		–	(132.3)
Other operating income	163.0	49.2	212.2	2)	87.5	299.7
Impairment losses on financial assets	(40.0)	(7.1)	(47.1)		–	(47.1)
Other operating expenses	(278.8)	(104.0)	(382.8)		–	(382.8)
Net income from investments accounted for using the equity method	2.7	8.9	11.6		–	11.6
Interest income	21.9	10.3	32.2		–	32.2
Interest expense	(411.4)	(171.7)	(583.1)	3), 4), 5), 6), 7)	(39.8)	(622.9)
Other financial result	(32.6)	(111.8)	(144.4)	7)	96.2	(48.2)
Earnings before tax	**5,014.4**	**2,269.4**	**7,283.8**		**137.6**	**7,421.4**
Income tax	(1,674.4)	(698.7)	(2,373.1)	2), 7), 8), 9), 10), 11)	(81.5)	(2,454.7)
Profit for the period	**3,340.0**	**1,570.7**	**4,910.7**		**56.1**	**4,966.7**
Attributable to						
Vonovia's shareholders	3,228.5	–	–		–	4,619.3
Vonovia's hybrid capital investors	40.0	–	–		–	40.0
Non-controlling interests	71.5	–	–		–	307.4

	January 1, 2020 to December 31, 2020					
	Historical Financial Information					
	Vonovia	Adjusted Deutsche Wohnen	Totals	Pro forma note	Pro forma adjustment	Pro forma consolidated income statement
	(EUR in millions)					
	(unaudited)					
Earnings per share (basic and diluted in EUR	**5.87**	**–**	**–**		**–**	**6.14**

11.6.2 Pro forma consolidated income statement for the period from January 1, 2021 to September 30, 2021

	January 1, 2021 to September 30, 2021					
	Historical Financial Information					
	Vonovia	Adjusted Deutsche Wohnen	Total	Pro forma note	Pro forma adjustment	Pro forma consolidated income statement
	(EUR in millions)					
	(unaudited)					
Income from property letting	2,359.8	899.8	3,259.6		–	3,259.6
Other income from property management	57.0	215.1	272.1		–	272.1
Income from property management	**2,416.8**	**1,114.9**	**3,531.7**		**–**	**3,531.7**
Income from disposal of properties	471.7	197.3	669.0		–	669.0
Carrying amount of properties sold	(403.4)	(197.5)	(601.0)		–	(601.0)
Revaluation of assets held for sale	21.8	129.9	151.7		–	151.7
Profit on disposal of properties	**90.1**	**129.7**	**219.7**		**–**	**219.7**
Income from the disposal of properties (Development)	328.8	14.2	343.0		–	343.0
Cost of sold properties	(270.3)	(13.5)	(283.8)		–	(283.8)
Profit on the disposal of properties (Development)	**58.5**	**0.7**	**59.2**		**–**	**59.2**
Net income from fair value adjustments of investment properties	5,073.0	1,352.3	6,425.3		–	6,425.3
Capitalized internal expenses	483.5	5.3	488.8		–	488.8
Cost of materials	(1,099.8)	(388.6)	(1,488.4)		–	(1,488.4)
Personnel expenses	(446.8)	(177.0)	(623.8)	11)	6.3	(617.5)

	January 1, 2021 to September 30, 2021					
	Historical Financial Information					
	Vonovia	**Adjusted Deutsche Wohnen**	**Total**	**Pro forma note**	**Pro forma adjustment**	**Pro forma consolidated income statement**
	(EUR in millions)					
	(unaudited)					
Depreciation and amortization	(255.8)	(29.1)	(284.8)		–	(284.8)
Other operating income	186.6	54.4	241.0	2)	(87.5)	153.5
Impairment losses on financial assets	(15.2)	(4.9)	(20.1)		–	(20.1)
Gains resulting from the derecognition of financial assets measured at amortized cost	(1.5)	–	(1.5)		–	(1.5)
Other operating expenses	(272.1)	(124.3)	(396.4)	1)	149.9	(246.5)
Net income from investments accounted for using the equity method	1.2	(16.5)	(15.3)	2)	(0.8)	(16.1)
Interest income	4.9	22.4	27.3		–	27.3
Interest expense	(280.5)	(127.8)	(408.2)	3), 4), 5), 6), 7)	(28.9)	(437.1)
Other financial result	(109.7)	(347.2)	(456.9)	1), 7)	431.1	(25.8)
Earnings before tax	**5,833.2**	**1,464.3**	**7,297.6**		**470.1**	**7,767.7**
Income tax	(1,964.1)	(631.4)	(2,595.5)	1), 2), 7), 8), 9), 10), 11)	15.0	(2,580.5)
Profit for the period	**3,869.1**	**832.9**	**4,702.1**		**485.1**	**5,187.2**
Attributable to						
Vonovia's shareholders	3,782.9	–	–		–	4,910.0
Vonovia's hybrid capital investors	22.4	–	–		–	22.4
Non-controlling interests	63.8	–	–		–	254.8
Earnings per share (basic and diluted in EUR)	**6.63**	**–**	**–**		**–**	**6.36**

11.7 Explanation of the Pro Forma Adjustments

11.7.1 Explanations of the pro forma adjustments of the pro forma consolidated income statement for the period from January 1, 2020 to December 31, 2020 and for the period from January 1, 2021 to September 30, 2021

Pro-forma adjustments with a one-off effect

(1) Represents the elimination of the previously recorded non-recurring acquisition related costs for the period from January 1, 2021 to September 30, 2021 of Vonovia of EUR 175.6 million (thereof EUR 98.2 million other operating expense and EUR 77.4 million other financial result) and of Deutsche Wohnen of EUR 51.7 million (other operating expense, only), which would not have been incurred, if Deutsche Wohnen had already been acquired and consolidated as of January 1, 2020. These acquisition related costs are assumed to be tax deductible. Applying a tax rate of 33.10% for Vonovia's acquisition related costs and a tax rate of 30.18% for Deutsche Wohnen's acquisition related costs, the respective tax adjustment amounts to an expense of EUR 73.7 million.

(2) Until July 21, 2021, Vonovia accounted for its interest in Deutsche Wohnen as a financial instrument with all changes being recorded in other comprehensive income. On July 22, 2021 Vonovia obtained significant influence in Deutsche Wohnen and accounted for it as an associate using the equity method. The related net income from investments accounted for using the equity method amounted to EUR 0.8 million for the period from January 1, 2021 to September 30, 2021 and is eliminated from the pro forma consolidated income statement as it would have not incurred, if Deutsche Wohnen had already been acquired and consolidated as of January 1, 2020.

During the period from January 1, 2021 to September 30, 2021, other operating income includes the increase in the value of the non-current equity investment in Deutsche Wohnen in the amount of EUR 87.5 million. The shares in Deutsche Wohnen were included in Vonovia's scope of consolidation as an associate as of July 21, 2021 and were fully consolidated as of September 30, 2021. The income is due to the recognition of the non-current equity investment at its fair value in connection with the switch from inclusion using the equity method to full consolidation. As a result, it reflects the difference between the adjusted value using the equity method and fair value as of September 30, 2021.The effect of EUR 87.5 million is reclassified together with the corresponding tax effect of EUR 28.9 million from the pro forma consolidated income statement for the period from January 1, 2021 to September 30, 2021 into the pro forma consolidated income statement for the period from January 1, 2020 to December 31, 2020 as the assumed acquisition date for purposes of the Pro Forma Financial Information is January 1, 2020.

Pro-forma adjustments with a continuing effect

(3) Represents the reduction of interest expense in the amount of EUR 113.9 million for the period from January 1, 2020 to December 31, 2020 and in the amount of EUR 59.5 million for the period from January 1, 2021 to September 30, 2021 as a result of the amortization of the fair value step up of financial liabilities related to the Preliminary PPA performed.

(4) Reflects the interest expense for the period from January 1, 2020 to December 31, 2020 in respect of the Bridge Facilities Agreement in the amount of EUR 86.2 million and in the amount of EUR 66.0 million for the period from January 1, 2021 to September 30, 2021 as if the Bridge Facilities Agreement had been drawn as of January 1, 2020. Due to the capital structure of Vonovia and the existing restrictions on the deductibility of interest expenses under German tax law, no tax deductibility is assumed for interest expenses insofar. Hence, no effect on income taxes arises insofar.

(5) Reflects the interest expense in respect of the Corporate Bonds for the period from January 1, 2020 to December 31, 2020 in the amount of EUR 49.6 million and in the amount of EUR 28.0 million for the period from January 1, 2021 to September 30, 2021 that are recognized in addition to the interest expenses already included in the historical financial information of Vonovia as if the Corporate Bonds had been issued as of January 1, 2020. Due to the capital structure of Vonovia and the existing restrictions on the deductibility of interest expenses under German tax law, no tax deductibility is assumed for interest expenses insofar. Hence, no effect on income taxes arises insofar.

(6) Reflects the additional interest expense in the amount of EUR 25.3 million for the period from January 1, 2020 to December 31, 2020 for external financing for the acquisition of Deutsche Wohnen shares as part of the Pre-Acquisition.

(7) Represents the elimination of other financial result in the amount of EUR 96.2 million, interest expenses of EUR 7.4 million and tax income of EUR 14.0 million relating to the convertible bonds for the period from January 1, 2020 to December 31, 2020 and the elimination of other financial results in the amount of EUR 353.7 million, interest expenses of EUR 5.6 million and tax income of EUR 8.9 million for the period from January 1, 2021 to September 30, 2021, since the convertible bonds are deemed to be converted as part of the Deutsche Wohnen Transaction.

(8) Due to the change of ownership of more than 50% of the subscribed capital/voting rights in Deutsche Wohnen by Vonovia, tax loss carryforwards of Deutsche Wohnen and a small number of subordinated companies have been lost with effect for the future. Deferred tax assets were recognized on the company's loss carryforward and offset against deferred tax liabilities. This offsetting was reversed and the deferred tax assets were no longer recognized due to the loss carryforwards that were eliminated as part of the Preliminary PPA.

The effects on income taxes due to the aforementioned elimination amount to EUR 9.6 million for the period from January 1, 2020 to December 31, 2020 and of EUR 96.8 million for the period from January 1, 2021 to September 30, 2021.

(9) Reflects the income tax effects in the amount of EUR 34.4 million for the period from January 1, 2020 to December 31, 2020 and in the amount of EUR 18.0 million for the period from January 1, 2021 to September 30, 2021 on adjustment 3) as described above applying a tax rate of 33.1% to account for the release of the corresponding deferred tax asset which has been recognized as part of the Preliminary PPA.

(10) Deferred taxes that were not recognized due to the initial recognition exemption (also initial difference exemption) were recognized as part of the business combination. An initial recognition exemption refers to an exceptional scenario in which a deferred tax liability/deferred tax asset cannot be recognized if it results from the first-time recognition of an asset or liability, the underlying transaction is not a business combination and, at the time the transaction is executed, neither the earnings before tax recognized in the balance sheet nor the taxable net income are affected.

Therefore, the deferred tax expense needs to be adjusted for purposes of the Pro Forma Financial Information as changes in the difference between carrying amounts under IFRS and the respective tax base that occurred in the period of January 1, 2020 to December 31, 2020 as well as of January 1, 2021 to September 30, 2021 did not fully impact the Company's deferred taxes due to the application of the initial recognition exemption.

Further, the adjustment of deferred taxes on tax loss carryforwards had an impact on the recoverability of deferred taxes on temporary differences that leads to an adjustment of the deferred tax expense.

The impact on the pro forma consolidated income statement for the period of January 1, 2020 to December 31, 2020 amounted to EUR 3.5 million and the impact on the pro forma consolidated income statement for the period of January 1, 2021 to September 30, 2021 amounted to EUR 8.3 million.

(11) Reflects the acceleration of existing long-term incentive programs at Deutsche Wohnen that was triggered by the Deutsche Wohnen Transaction. The impact from the acceleration amounted to EUR 6.3 million and was reclassified together with the corresponding tax effect of EUR 1.9 million from the pro forma consolidated income statement for the period from January 1, 2021 to September 30, 2021 into the pro forma consolidated income statement for the period from January 1, 2020 to December 31, 2020 as the assumed acquisition date for purposes of the Pro Forma Financial Information is January 1, 2020.

11.8 Examination Report

To Vonovia SE, Bochum, Germany

We have examined whether the pro forma consolidated financial information for the financial year ended December 31, 2020 and the nine -months period ended September 30, 2021 of Vonovia SE (the "Company"), has been properly compiled on the basis stated in the pro forma notes and whether this basis is consistent with the accounting policies of the Company. The pro forma consolidated financial information comprises a pro forma consolidated income statement for the period from January 1, 2020 to December 31, 2020, a pro forma consolidated income statement for the period from January 1, 2021 to September 30, 2021 and pro forma notes.

The purpose of the pro forma consolidated financial information is to present the material effects the transaction described in the pro forma notes would have had on the historical financial statements if the Company had existed in the structure created by the transaction throughout the entire reporting period of the pro forma consolidated income statement. As pro forma consolidated financial information reflects a hypothetical situation, it is not entirely consistent with the presentation that would have resulted had the relevant events actually occurred at the beginning of the reporting period of the pro forma consolidated income statement. Therefore we do not issue an opinion on the actual effects of the transactions described in the pro forma notes.

The compilation of pro forma consolidated financial information in accordance with the principles of the IDW Accounting Practice Statement: Preparation of Pro Forma Financial Information (IDW AcPS AAB 1.004) promulgated by the Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW) is the responsibility of the management of the Company.

Our responsibility is to express an opinion, based on our examination, whether the pro forma consolidated financial information has been properly compiled on the basis stated in the pro forma notes and whether this basis is consistent with the accounting policies of the Company. This includes the evaluation of the overall presentation of the pro forma consolidated financial information. The subject matter of this engagement does neither include an audit or review of the basic figures including their adjustment to the accounting policies of the Company, nor of the pro forma assumptions stated in the pro forma notes.

We have planned and performed our examination in accordance with the IDW Auditing Practice Statement: Examination of Pro Forma Financial Information (IDW AuPS 9.960.1) promulgated by the

Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW) in such a way that material errors in the compilation of the pro forma consolidated financial information on the basis stated in the pro forma notes and in the compilation of this basis consistent with the accounting policies of the Company are detected with reasonable assurance.

In our opinion, the pro forma consolidated financial information has been properly compiled on the basis stated in the pro forma notes. This basis is consistent with the accounting policies of the Company.

Düsseldorf, November 19, 2021

KPMG AG
Wirtschaftsprüfungsgesellschaft

Bornhofen	Cremer
Wirtschaftsprüfer (German Public Auditor)	Wirtschaftsprüfer (German Public Auditor)

12. MARKETS AND COMPETITION

12.1 Markets

The Group's business activities are influenced by numerous demographic, economic and political factors. All developments in and related to the residential real estate market in Germany also affect the Group, particularly in the following five federal states: Berlin, North Rhine-Westphalia, Saxony, Hesse and Baden-Wuerttemberg where Vonovia has the largest share of its German portfolio measured by fair value. The residential real estate market environment significantly impacts the future development of housing prices, rent levels, turnover and vacancy rates as well as home ownership rates. In addition, Vonovia also holds significant portfolios in Sweden and Austria, which is why the developments in the residential real estate markets of these countries also affect the Group.

12.1.1 Germany

In 2020, Germany had a population of 83.2 million and a GDP of approximately EUR 3.4 trillion (*Sources*: Federal Statistical Office, Press Release 287 and Federal Statistical Office, Press Release 398), making it both the most populous and economically productive country in the European Union in absolute numbers (*Source*: Eurostat Database).

12.1.1.1 Demographic trends

Germany's population grew by approximately 3.5% between 2011 and 2019, resulting exclusively from the positive net migration. Without these migration gains, the population would have been decreasing since 1972. Due to lower net immigration and an increased number of deaths with slightly fewer births than in the previous year, the population did not increase in 2020 for the first time since 2011. In 2020, travel restrictions and detrimental economic ramifications following from the Covid-19 pandemic are likely to have had a curbing effect on migration (*Sources*: Federal Statistical Office, Genesis Online Database, Population; Federal Statistical Office, Press Release 016 and Federal Statistical Office, Press Release 287). A population decline is expected in the long term. The expected continuous migration gains until 2040 are offset by steadily increasing death surpluses. In the short-term, however, the population is expected to grow further with the peak being reached in 2024 (*Source*: BBSR – Regional Planning 2040). Because of the Covid-19 pandemic and the associated restrictions, forecasts for short-term immigration and population development are associated with increased uncertainty.

The number of households (private households at their main and secondary residence) has increased over the past years. In 2019, there were 41.5 million households, compared to 41.4 million in 2018 and 41.3 million in 2017, representing a total increase of approximately 0.5% from 2017 to 2019 (*Source*: Federal Statistical Office, Households & Families, Microcensus 2019). The first results of the microcensus 2020 published in September 2020 can only be compared with previous years to a limited extent. The redesigned microcensus is associated with changes. In addition to the questionnaire, the design of the sample and the form of data collection were changed. Based on these first result the number of main residence households in 2020 amounted to approximately 40.5 million (*Source*: Federal Statistical Office, Households & Families, Microcensus 2020 First Results). The trend in the increase in the number of households is expected to continue and amount to a total growth of 1.3% between 2017 and 2040, whereby regional development shows large-scale differences. In the three city-states (*i.e.* Berlin, Hamburg and Bremen) the number of households is expected to increase by 7.7% between 2017 and 2040. In the remaining federal states in Western Germany (*Westdeutsche Flächenländer*), the number of households is expected to increase by 2.8%, whereas the number of households in the remaining federal states of Eastern Germany (*Ostdeutsche Flächenländer*) is expected to decrease by 9.2%, in each case from 2017 to 2040 (*Source:* BBSR – Regional Planning 2040).

The average household size (private households at their main and secondary residence) decreased slightly from 2.00 persons in 2017 to 1.99 persons in 2018 and 2019 and is expected to decrease even further to 1.94 in 2040 (*Sources*: Federal Statistical Office, Households & Families, Microcensus 2019 and BBSR – Regional Planning 2040). This trend reflects an increasing number of small households (*i.e.* households with one or two persons), which is expected to increase by 3.8% from 2017 to 33.0 million by 2040. Accordingly, 77.5% of all households in 2040 are expected to be small households. This is driven by the expected growth in the number of single-person households (expected increase of 7.4% from 2017 to 2040), while the number of two-person households is expected to be slightly decreasing in the long term (expected decrease of 0.6% from 2017 to 2040) (*Source*: BBSR – Regional Planning 2040). Based on first results of the microcensus 2020 the average household size of main residence households was 2.03 in 2020. A comparison with the microcensus data of previous years is limited for various reasons (see above) (*Source*: Federal Statistical Office, Households & Families, Microcensus 2020 First Results).

Population ageing (*i.e.* the increase in the total number of older people as well as their share of the total population) is likely to have a significant impact on societies, including housing (*Source*: Eurostat, Ageing Europe). From 1991 to 2019, the number of persons in Germany aged 65 and older increased from 12 million to 18 million and is predicted to reach almost 22 million in 2040 (*Sources*: Federal Statistical Office, Older People; BBSR – Regional Planning 2040). In 2020, Germany had – with 21.8% – the fifth highest share of population aged 65 years and older in the European Union, while the average share for the European Union amounted to 20.6% (*Source*: Eurostat Database). The German percentage is expected to rise to 26.6% by 2040 (*Source*: BBSR – Regional Planning 2040).

Provided that these aforementioned demographic trends continue as predicted, the demand for housing in general, and for apartments suitable for senior living and/or small households in particular, is expected to continue to grow in the mid- and long-term. To meet the specific demand of senior citizens, it is necessary to adapt apartments to the needs of elderly persons, including the reduction of barriers. The housing stock suitable for households that include persons with impaired mobility is expected to rise from 560,000 residential units in 2018 to 1.7 million residential units in 2035, with the expected demand for age-appropriate housing for seniors or housing for people with limited mobility simultaneously increasing from 3.0 million residential units in 2018 to 3.7 million in 2035 (*Source*: KfW, Barrier-reduced living).

12.1.1.2 Gross Domestic Product and economic growth developments

In 2020, Germany's price-adjusted GDP decreased by 4.6%, while price-adjusted GDP had increased by 1.1% in 2019 and by 1.1% in 2018, in each case compared to the respective previous year (*Source*: Federal Statistical Office, GDP). After a growth phase of ten years, the German economy fell into a recession against the backdrop of the beginning of the Covid-19 pandemic in 2020, similar to the economic recessions during the financial and economic crisis of 2008/2009. However, the economic downturn was overall less severe in 2020 compared to the economic downturn in 2009 (amounting to a decrease by 5.7%) (*Source*: Federal Statistical Office, Press Release 020). After the Covid-19 pandemic had led to a renewed decline in economic output at the beginning of 2021, the German economy recovered again in the second quarter (*Source*: Federal Statistical Office, Press Release 398).

The Covid-19 pandemic affected almost all economic sectors. Large parts of the production processes were severely curbed, both in the service sector and in the industry. The construction sector, however, was able to sustain its strong position during the Covid-19 pandemic. The final consumption expenditure per households decreased by 5.9% in 2020 compared to 2019, marking the sharpest decline ever. Government final consumption expenditure, on the other hand, had a stabilizing effect with a price-adjusted increase of 3.5% in 2020 compared to 2019, resulting mainly from the acquisition of protective equipment for the medical sector as well as from expenditure for hospital services (*Sources*: Federal Statistical Office, Consumption Expenditure and Federal Statistical Office, Press Release 020). In its autumn projection 2021 the German Federal Government expects GDP to rise by 2.6% (price-adjusted) in

2021 compared to 2020. Private consumption is the driving force of the economic recovery at the moment. In view of the current supply bottlenecks and high energy prices worldwide, this year will not see the hoped-for final spurt. If the supply bottlenecks gradually disappear, there will be significant catch-up effects in 2022. Therefore, a further increase of 4.1% is expected in 2022 (*Source*: Federal Ministry for Economic Affairs and Energy, Press Release 2021-10-27). The European Commission forecasts a growth of real GDP for Germany of 3.6% in 2021 and of 4.6% in 2022 and for the European Union of 4.8% in 2021 and of 4.5% in 2022, in each case compared to the previous year (Source: European Economic Forecast Summer 2021).

12.1.1.3 Employment, purchasing power and consumer price development

Until the beginning of the Covid-19 pandemic, economic growth in Germany was also characterized by a low and falling unemployment rate. The Covid-19 pandemic led to one of the worst recessions in post-war Germany, with the employment and employment subject to social security contributions decreasing, and unemployment and underemployment (excluding short-time work (*Kurzarbeit*)) rising. In light of the Covid-19 pandemic-related economic downturn, the labor market, however, proved to be more stable than expected. The widespread implementation of short-time work (*Kurzarbeit*) had a stabilizing effect on the unemployment rate, which would otherwise be considerably higher. In 2020, approximately 2.7 million people were unemployed, corresponding to an average unemployment rate of 5.9% (compared to 5.0% in 2019 and 5.2% in 2018). The increases in unemployment (and underemployment) were almost exclusively caused by Covid-19 pandemic-related economic ramifications (*Source*: German Federal Employment Agency, Monthly Report December 2020). Since the beginning of the year, the unemployment rate has noticeably decreased (*Source*: German Federal Employment Agency, Monthly Report August 2021).

In 2020, the purchasing power was EUR 22,388 per capita and EUR 45,077 per household (compared to EUR 23,779 per capita and EUR 48,022 per household in 2019). In 2021, the purchasing power is expected to be EUR 23,637 per capita and EUR 47,582 per household (*Sources*: GfK Purchasing Power Germany 2019; GfK Purchasing Power Germany 2020 Update and GfK Purchasing Power Germany 2021).

On an annual average in 2020, the inflation rate as measured by the consumer price index (***CPI***) amounted to 0.5% compared to 1.4% in 2019. The temporary reduction of the value added tax, as implemented on July 1, 2020 as part of the Federal Government's stimulus package, contributed to the low annual average of the inflation rate. This measure had a downward effect on the consumer prices as a whole and differing effects on the prices of different groups of products in the second half of 2020. In particular, energy prices dropped on an annual average while food prices were increasing above average in 2020 (*Source*: Federal Statistical Office, Press Release 025). Since the beginning of the year, the inflation rate has risen and exceeded the four percent mark, based on September 2021 data. The temporary value added tax reduction as well as the drop in the prices of mineral oil products in 2020 in particular continue to have an upward effect on the overall inflation rate (year-on-year) until the end of 2021 (Source: Federal Statistical Office, Press Release 482).

12.1.1.4 Overview of the German residential real estate market

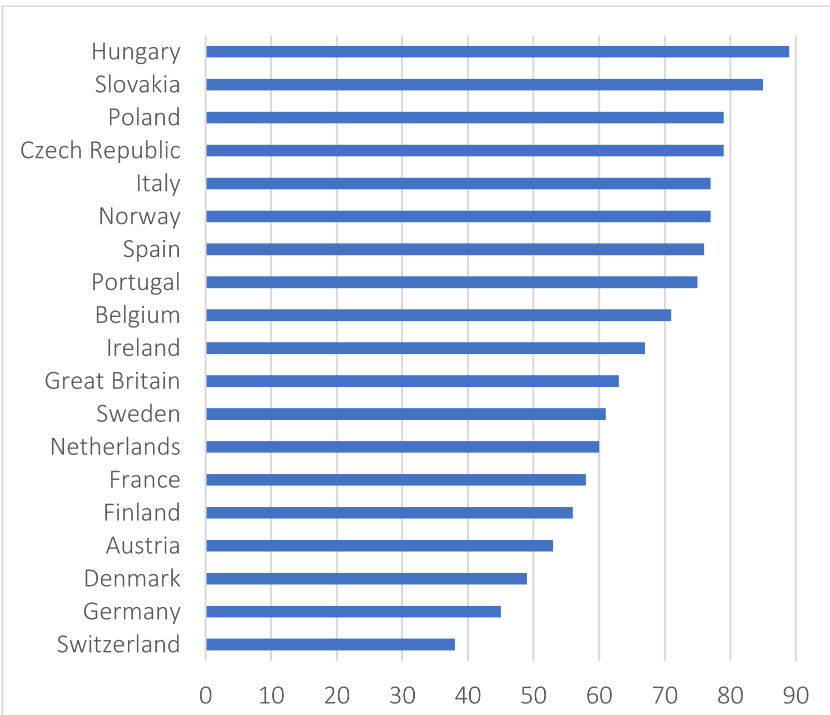
The housing industry remained relatively stable throughout the economic crisis triggered by the Covid-19 pandemic (*Source*: GdW, Data and Trends 2020/2021). Housing is considered to be one of the most important basic needs. The highly diversified tenant structure coupled with the resulting high granularity of rent payments make residential real estate a stable and defensive asset class associated with a low rent default risk and stable cash flows. This is underlined by the fact that government support systems, such as short-term work (*Kurzarbeit*), have helped to secure and stabilize rent payments in the course of the Covid-19 pandemic and the corresponding economic crisis (*Sources*: CBRE, Germany Sector Outlook and CBRE, Outlook Germany 2021).

The relevance of the real estate and housing market for the German economy is reflected in its contribution to gross value added, as real estate activities amounted to approximately EUR 337.0 billion in 2020, representing 11.0% of Germany's total gross value added (*Source*: Eurostat, Gross Value Added).

Real estate-related spending constitutes the largest share of a household's expenditure. When last measured in 2019, German households spent an average of EUR 890.00 (corresponding to 34.6% of their monthly consumption expenditure) on housing, energy, and maintenance of their dwelling (*Source*: Federal Statistical Office, Consumption Expenditure). The national average net "cold" rent (*i.e.* excluding heating and service charges) for households in rental units in residential buildings (excluding dormitories) amounted to EUR 6.90 per sqm and month in 2018 (*Source*: Federal Statistical Office, Microcensus 2018).

The following chart shows the estimated owner-occupancy rate of residential units in 2019. Accordingly, the German housing market tends to be a rental market with an average owner-occupancy rate of 46.5% (*Source*: Federal Statistical Office, Microcensus 2018).

Estimated owner-occupancy rates of residential units in Europe (in %)



(*Source*: LBS, Residential Real Estate Market 2020)

In 2020, there were approximately 42.8 million residential units and 19.3 million residential buildings in Germany and a total of approximately 3.9 billion sqm of residential living space. As of 2018, rental units in residential buildings had an average living space of 72.3 sqm and owner-occupied apartments had an average living space of 120.5 sqm (inhabited units, excluding dormitories) (*Sources*: Federal Statistical Office, Construction Activity and Dwellings and Federal Statistical Office, Microcensus 2018).

The stability of the rental market, based on the consistent demand for residential units, is also signified by rising levels of rent and low vacancy rates. The average market active vacancy rate in apartment buildings amounted to 2.8% as of December 31, 2019 and 2018. The market-active vacancy includes vacant apartments that are immediately available, as well as vacant apartments that are currently not available for rent due to deficiencies, but could possibly be capitalized in the medium term (*Source*: CBRE-empirica Vacancy-Index).

Net cold rents increased by 1.6% in 2018, by 1.4% in 2019 and by 1.4% in 2020 compared to the respective previous year and the index of net cold rents continued to rise in the first half of 2021 (*Source*: Federal Statistical Office, Consumer Price Indices for Germany). For residential real estate companies organized under the roof of the German Association of Residential Real Estate Companies (*Bundesverband deutscher Wohnungs- und Immobilienunternehmen (**GdW**))*, the average rent per sqm rose from EUR 5.86 in the year 2019 to EUR 5.98 in the year 2020 (*Source*: GdW, JPK 2021).

Unaffected by the Covid-19 pandemic, residential property prices continued to rise throughout 2020. On a year-on year comparison the price increase for apartment buildings amounted to 6.2% in 2020 compared to 2019 (6.2% in 2019 compared to 2018 and 9.0% in 2018 compared to 2017). Despite the high price level in many metropolitan areas, investments in residential real estate are considered interesting, because residential real estate is often characterized by a lower risk of rent default compared to commercial real estate. Prices for owner-occupied residential property rose by 7.4% in 2020 after rising by 6.8% in 2019 and 7.7% in 2018, in each case compared to the previous year. The prices for condominiums rose by 6.7% in 2020, by 5.9% in 2019 and by 5.8% in 2018. Despite the difficult economic circumstances due to the Covid-19 pandemic and the directly connected uncertainty of households regarding employment and income, the overall price level increased in 2020. The demand for residential property remains high because of low interest rates and scarce investment alternatives (*Sources*: vdp, Price Index Q4-2020 and vdp, Press Release Price Index Q4-2020). As a result of the high demand, the prices for owner-occupied residential property and condominiums as well as the capital values for apartment buildings continued to rise in the first half of 2021 (Source: vdp, Price Index Q2-2021). There are indications that the regions outside the cities in 2020 continued to gain in attractiveness, however prices for residential real estate also continued to rise in the cities and appear – based on estimation models – to be well above the level that appears to be justified by the long-term economic and demographic factors (*Sources*: Deutsche Bundesbank, Monthly Report 02-2021 and Deutsche Bundesbank, Monthly Report 10-2020). While quoted rents and purchase prices no longer rise uniformly in 302 of 401 administrative and urban districts (*Landkreise und kreisfreie Städte*), an excess of newly constructed residential units can be only measured in 65 districts (*Kreise*). However, as the bubble index, an index designed to give indications of an impending formation of a price bubble, now designates 331 districts with a "moderate to high" risk. The further development needs to be monitored (*Source*: empirica-Bubble-Index 2021-Q2).

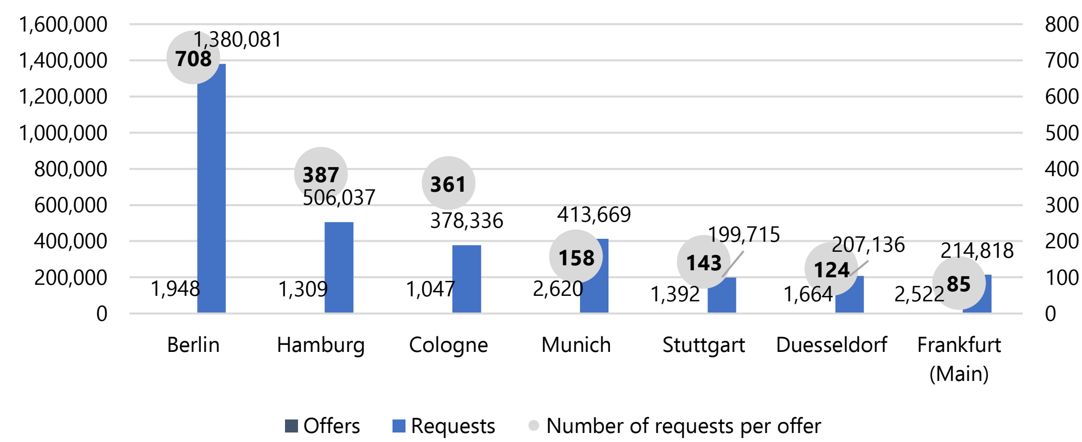
12.1.1.5 Overview of the German development market

In addition to the factors described above, driving the demand for housing, trends in the building and construction sector are of particular relevance for the development market.

Building permits issued for the construction of residential units (including modernization work to existing buildings; residential and non-residential buildings) increased by 3.9% from 346,810 units in 2018 to 360,493 units in 2019 and by a further 2.2% to 368,589 units in 2020. Simultaneously, the number of completed residential units increased by approximately 2.0% from 287,352 units in 2018 to 293,002 units in 2019 and by another 4.6% to 306,376 units in 2020 (including work to existing buildings; residential and non-residential buildings). As a result, in 2020 building permits were granted for a total of 37.1 million sqm of living space and a total of 31.8 million sqm of living space was completed (*Sources*: Federal Statistical Office, Construction/Completion and Federal Statistical Office, Construction/Permits). The residential construction industry was barely affected by the measures taken to contain the Covid-19 pandemic (*Source*: Helaba, Real Estate Report 12-2020).

Low interest rates and the influx to metropolitan areas ensure a brisk demand for residential housing units in metropolitan areas. However, construction activity is limited by the finite capacity of the construction industry, so that the gap between supply and demand remains large (*Source*: Helaba, Markets and Trends 2021). The situation on Germany's housing market in the attractive metropolitan areas and fast-growing regions has changed rapidly from a largely balanced to a tense market situation in recent years. There is an accumulated deficit of almost one million residential units in Germany, particularly concentrated in metropolitan areas and university towns (*Source*: GdW, Data and Trends 2020/2021). An average of approximately 245,800 residential units per year would have to be built between 2019 and 2030 to meet the expected demand, taking into account the quantitative additional demand following from an increasing number of households looking for housing as well as the qualitative additional demand following from the need for replacement in the housing stock (*Source*: empirica, Residential New Construction Demand - Base Scenario). According to other estimates, approximately 320,000 new residential units would have to be built each year until 2025 to meet the demand, including 140,000 units of affordable housing. As the housing capacity in metropolitan areas becomes increasingly limited, people looking for housing are being pushed to the surrounding areas or focus on buying their own property also in the outskirts or surrounding areas (*Source*: GdW, Data and Trends 2020/2021). The increase in working from home could also increase demand for housing in the future and shift demand more from central inner-city locations to the outskirts of conurbations (*Source*: Helaba, Real Estate Report 12-2020). However, not all German regions benefit from the population growth. Especially sparsely populated administrative districts located far away from the metropolitan centers have to deal with decreasing demand (*Source*: GdW, Data and Trends 2020/2021).

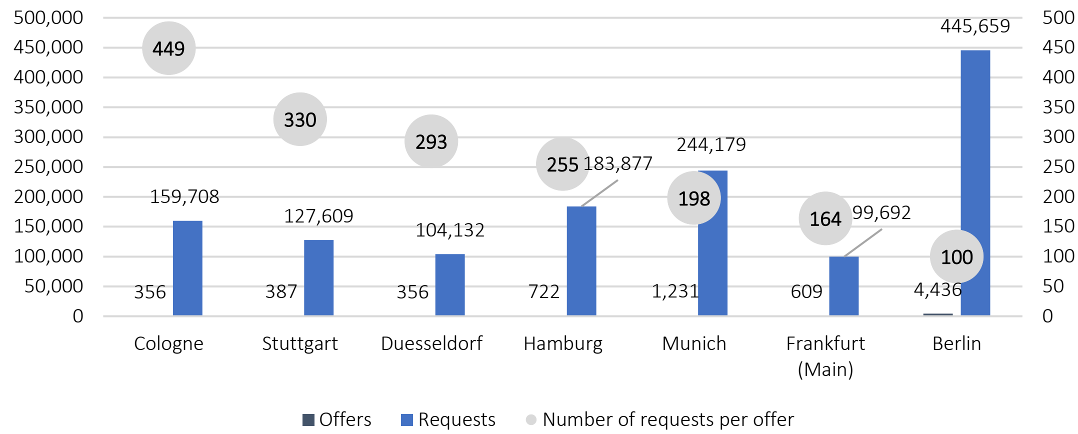
The following chart gives a comparison of the supply market with the demand market for rental housing in the top seven German cities.



(*Source*: ImmoScout24)

In Berlin, the most rental apartments are currently being sought, which is due to the number of inhabitants. Especially in comparison with the apartments offered, a high demand for rental housing becomes visible. Compared to the other cities, the supply-demand ratio is greatest in Berlin: for one housing supply, there are 708 housing applications, making Berlin the leader in terms of supply shortages. The extremely high demand for rental apartments with very low supply at the same time causes a shift in demand towards condominiums (*Source*: ImmoScout24). In addition, the high demand for rental apartments combined with the low supply as well as the low owner-occupancy rate (see "*12.1.1.4 Overview of the German residential real estate* market") causes an increasing demand for condominiums.

The following chart gives a comparison of the supply market with the demand market for condominiums in the top seven German cities.



(*Source*: ImmoScout24)

By analyzing the ImmoScout24 data, the high demand for condominiums in all top seven cities with very low supply becomes clear at the same time. In particular due to the size of the cities, in Berlin, the most condominiums are sought and in Düsseldorf the fewest. In Cologne and Düsseldorf, the supply of condominiums is the lowest, in Berlin the largest. In Cologne, there are 449 housing applications for an apartment offer – by far the highest value in Germany. In Berlin, on the other hand, with 100 housing applications for a housing offer, the ratio is lower in comparison (*Source*: ImmoScout24).

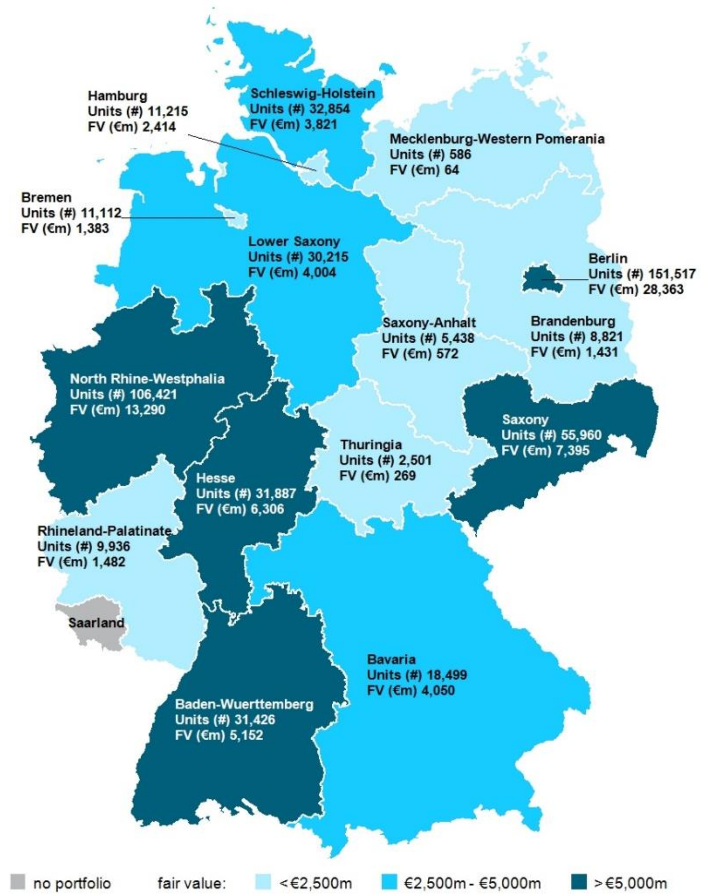
In a direct comparison between rental apartments and condominiums in the top seven cities, twice as many rental apartments as condominiums are sought. However, the number of apartments offered is comparable and shows the high pressure on the rental market (*Source*: ImmoScout24).

The increasing demand for living space, in particular in metropolitan areas, in conjunction with the current low interest rates further enhances the demand for home ownership. (*Source*: Bulwiengesa)

12.1.2 The portfolio in the German federal states most relevant to Vonovia

The regional focus of the Group's portfolio in Germany is, in addition to Berlin, the Ruhr and Rhine Main areas, the greater Dresden area and southern Germany. Further areas of interest to the Group's portfolio include for example parts of northern Germany (in particular Bremen, Kiel and Hamburg). As of September 30, 2021, approximately 88% of the Group's German portfolio by fair value is located in former West Germany, including Berlin. The portfolio is split among Germany's federal states as follows:

The Group's portfolio split among federal states as of September 30, 2021 (by fair value and number of residential units)



More precisely, as of September 30, 2021, approximately 35% of the Group's portfolio in Germany in terms of fair value (including 151,517 residential units) were located in Berlin, 17% (including 106,421 residential units) were located in North Rhine-Westphalia, 9% (including 55,960 residential units) were located in Saxony, 8% (including 31,887 residential units) were located in Hesse and 6% (including 31,426 residential units) were located in Baden-Wuerttemberg. The market developments in the housing market of these five federal states, in which the largest residential portfolios of the Vonovia Portfolio and a total of approximately 76% of the Group's properties in Germany in terms of fair value are located, have a particularly strong impact on, and are the most relevant to, the Group's German business activities.

12.1.2.1 Housing trends in Berlin

Berlin had a total of approximately 0.3 million residential buildings, 2.0 million residential units and 145.2 million sqm of total living space as of December 31, 2020 (*Source*: Federal Statistical Office, Construction Activity and Dwellings). In 2018, Berlin had an owner-occupier rate of only 17.4%, being the lowest rate of all German federal states (*Source*: Federal Statistical Office, Microcensus 2018). According to a recent forecast it is expected that the number of households in Berlin will grow by 9.0% from 2.05 million in 2017 to 2.24 million in 2040. The forecast also assumes that the percentage of the population aged 65 and older in Berlin will rise from 19.2% in 2017 to 21.0% in 2040. In absolute figures the number of people aged 65 years or older is expected to increase from 0.69 million in 2017 to 0.83 million in 2040 (*Source:* BBSR – Regional Planning 2040).

Demand for housing in Berlin is high, as is reflected in Berlin's low market active vacancy rate in apartment buildings, at 0.8% as of December 31, 2019, after 0.8% as of December 31, 2018 (the second lowest rates of the German federal states) (*Source*: CBRE-empirica Vacancy-Index).

The net cold rents increased by 0.7% in 2020, by 1.4% in 2019 and by 2.2% in 2018, in each case compared to the respective previous year (*Source*: Federal Statistical Office, Index of Net Cold Rents). The microcencus data showed an average net cold rent of EUR 7.40 per sqm for 2018 (*Source*: Federal Statistical Office, Microcensus 2018). The average target net cold rent (*Sollmiete*) for landlords organized under the roof of the German Association of Residential Real Estate Companies (*Bundesverband deutscher Wohnungs- und Immobilienunternehmen (GdW))*, amounted to EUR 6.22 per sqm as of December 2020 (*Source*: GdW, Annual Statistics 2020).

In Berlin, the rent cap (*Mietendeckel*) introduced in February 2020 was designed to prevent a further increase. While rents for existing apartments were becoming cheaper, their supply decreased and rents in unregulated new buildings (built from 2014) were rising even more sharply (*Source*: Immowelt, Rents 2020). On March 25, 2021, this law on rent controls was declared unconstitutional and therefore null and void.

12.1.2.2 Housing trends in North Rhine-Westphalia

With 3.9 million residential buildings, 9.1 million residential units and 825.3 million sqm of total living space as of December 31, 2020, North Rhine-Westphalia is the federal state with the largest housing stock (*Source*: Federal Statistical Office, Construction Activity and Dwellings). In 2018, North Rhine-Westphalia had an owner-occupier rate of 43.7% (*Source*: Federal Statistical Office, Microcensus 2018). The number of households is expected to slightly decrease by 0.7% from 8.88 million in 2017 to 8.83 million in 2040 with an expected slight increase in the short-term. The recent population projection of the German Federal Institute for Research on Construction, Urban and Regional Planning expects that the percentage of the population aged 65 and older in North Rhine-Westphalia will rise from 20.9% in 2017 to 26.3% in 2040. The number of persons aged 65 and older is expected to increase from 3.74 million in 2017 to 4.56 million in 2040 (*Source*: BBSR – Regional Planning 2040).

The market active vacancy rate in apartment buildings remained stable at 3.0% as of December 31, 2018 and 2019 and therefore only slightly above the nationwide average of 2.8% as of December 31, 2019 (*Source*: CBRE-empirica Vacancy-Index).

Net cold rents increased by 1.2% in 2020, by 1.3% in 2019 and by 1.3% in 2018, in each case compared to the respective previous year (*Source*: Federal Statistical Office, Index of Net Cold Rents). Microcensus data showed an average net cold rent of EUR 6.60 per sqm for 2018 (*Source*: Federal Statistical Office, Microcensus 2018). The average target net cold rent (*Sollmiete*) for landlords organized under the roof of the German Association of Residential Real Estate Companies (*Bundesverband deutscher Wohnungs- und Immobilienunternehmen (GdW))*, amounted to EUR 5.90 per sqm as of December 2020 (*Source*: GdW, Annual Statistics 2020).

12.1.2.3 Housing trends in Saxony

As of December 31, 2020, Saxony had approximately 0.8 million residential buildings, 2.4 million residential units and 181.1 million sqm of total living space (*Source*: Federal Statistical Office, Construction Activity and Dwellings). In 2018, the owner-occupier rate amounted to 34.6% (*Source*: Federal Statistical Office, Microcensus 2018). According to a recent population forecast it is expected that the number of Households in Saxony will decrease by 8.2% from 2.20 million in 2017 to 2.02 million in 2040, while in the meantime the population of the cities Dresden and Leipzig are expected to increase by 3.0% in Dresden and by 14.0% in Leipzig. The population projection expects that the percentage of the population aged 65 and older in Saxony will rise from 25.9% in 2017 to 29.4% in 2040. The number of persons aged 65 and older is expected to rise from 1.06 million in 2017 to 1.09 million in 2040 (*Sources:* BBSR – Regional Planning 2040).

With 6.4% as of December 31, 2019, Saxony had the second-highest rate of market active vacancy in apartment buildings of all German federal states. However, vacancy rates in Saxony were stable over the last years with rates of 6.4% as of December 31, 2018, and December 31, 2017 (*Source*: CBRE-empirica Vacancy-Index).

Net cold rents increased by 0.8% in 2020, by 1.0% in 2019 and by 1.1% in 2018, in each case compared to the respective previous year (*Source*: Federal Statistical Office, Index of Net Cold Rents). The microcencus data showed an average net cold rent of EUR 5.40 per sqm for 2018 (*Source*: Federal Statistical Office, Microcensus 2018). The average target net cold rent (*Sollmiete*) for landlords organized under the roof of the German Association of Residential Real Estate Companies (*Bundesverband deutscher Wohnungs- und Immobilienunternehmen (GdW))* amounted to EUR 5.04 per sqm as of December 2020 (*Source*: GdW, Annual Statistics 2020).

12.1.2.4 Housing trends in Hesse

With a total of approximately 1.4 million residential buildings, 3.1 million residential units and 297.7 million sqm of total living space as of December 31, 2020, Hesse had the fifth-largest housing stock of all German federal states (*Source*: Federal Statistical Office, Construction Activity and Dwellings). Hesse had an owner-occupier rate of 47.5% in 2018 (*Source*: Federal Statistical Office, Microcensus 2018). A recent population forecast projects that number of households in Hesse is rising by 4.6% from 3.12 million in 2017 to 3.26 million in 2040. The forecast also assumes that the share of the population aged 65 and older in Hesse will rise from 20.5% in 2017 to 25.4% in 2040 as the number of persons aged 65 and older is expected to rise by 25.4% from 1.28 million in 2017 to 1.61 million in 2040 (*Source:* BBSR – Regional Planning 2040).

Demand for housing in Hesse is also high. This is reflected in the state's consistently low market active vacancy rate in apartment buildings which amounted to 1.8% as of December 31, 2019, and December 31, 2018 (*Source*: CBRE-empirica Vacancy-Index).

Net cold rents increased by 1.6% in 2020, by 1.5% in 2019 and by 1.9% in 2018 compared to the respective previous year (*Source*: Federal Statistical Office, Index of Net Cold Rents). According to microcencus 2018 data the average net cold was EUR 7.60 per sqm in Hesse in 2018 (*Source*: Federal Statistical Office, Microcensus 2018). The target net cold rent (*Sollmiete*) for landlords organized under the roof of the German Association of Residential Real Estate Companies (*Bundesverband deutscher Wohnungs- und Immobilienunternehmen (GdW))*, amounted to EUR 6.89 per sqm as of December 2020 (*Source*: GdW, Annual Statistics 2020).

12.1.2.5 Housing trends in Baden-Wuerttemberg

With a total of approximately 2.5 million residential buildings, 5.4 million residential units and 518.9 million sqm of total living space as of December 31, 2020, Baden-Wuerttemberg had the third-largest housing stock of the German federal states (*Source*: Federal Statistical Office, Construction Activity and Dwellings). Baden-Wuerttemberg had an owner-occupier rate of 52.6% in 2018, which was significantly above the average owner-occupier rate of 46.5% in Germany (*Source*: Federal Statistical Office, Microcensus 2018). A recent population forecast projects the number of households in Baden-Wuerttemberg increasing by 7.0% from 5.36 million in 2017 to 5.74 million in 2040. The population projection by the German Federal Institute for Research on Construction, Urban and Regional Planning expects that the share of the population aged 65 and older in Baden-Wuerttemberg will rise from 20.0% in 2017 to 25.4% in 2040. In absolute figures, the number of people 65 years of age or older is expected to increase from 2.21 million in 2017 to 2.90 million in 2040 (*Source:* BBSR – Regional Planning 2040).

The demand for housing in Baden-Wuerttemberg is reflected in the state's low vacancy rate in apartment buildings of 1.4% as of December 31, 2019 and December 31, 2018 (*Source*: CBRE-empirica Vacancy-Index).

Net cold rents steadily increased by 2.0% in 2020, by 1.8% in 2019 and by 1.8% in 2018, each compared to the respective previous year (*Source*: Federal Statistical Office, Index of Net Cold Rents). The microcencus data showed an average net cold rent of EUR 7.50 per sqm for 2018 (*Source*: Federal Statistical Office, Microcensus 2018). The average target net cold rent (*Sollmiete*) for landlords organized under the roof of the German Association of Residential Real Estate Companies (*Bundesverband deutscher Wohnungs- und Immobilienunternehmen (GdW))* was EUR 6.88 per sqm in December 2020 (*Source*: GdW, Annual Statistics 2020).

12.1.2.6 The Group's ten largest portfolio locations

Given that, as of September 30, 2021, more than 80% of the Group's portfolio in Germany (in terms of number of residential units) is concentrated in cities with a population exceeding 100,000 inhabitants, the general developments in these urban locations are of key importance for the Group's business and success. Although the overall economic development of the federal state in which the portfolio is located is important, local trends are even more crucial for the development of housing markets. An understanding of the local markets, in which Vonovia operates, provides important insights into its business. The municipal level provides a rough indicator of local developments. The ten largest portfolio locations (in terms of number of residential units) are summarized in the following table, constituting approximately 60%) of the Group's German portfolio of residential units.

12.1.2.7 Demographic and economic overview

City	**Population as of December 31, 2020[(1)]**	**Population Development 2011/2020[(2)]**	**Projected Population Growth 2017/2040[(3)]**	**Purchasing Power per Capita 2021[(4)]**	**Unemployment Rate 2020[(5)]**
	(in 1,000)	*(in %)*	*(in %)*	*(in EUR)*	*(in %)*
Berlin	3,664	10.2	9.6	21,829	9.7
Dresden	556	7.4	3.0	21,733	6.2
Dortmund	588	2.9	(1.9)	21,574	11.4
Frankfurt am Main	764	12.9	12.2	26,379	6.7
Kiel	247	3.8	2.0	20,541	8.5
Essen	582	2.9	1.0	22,551	11.0
Hamburg	1,852	7.8	8.0	25,607	7.6
Hanover[(6)]	534	4.8	1.3	23,612	9.0
Bremen	567	4.1	0.8	21,678	10.7
Leipzig	597	17.1	14.0	20,841	7.5

(1) Source: Federal Statistical Office, Municipal Directory.
(2) Sources: Federal Statistical Office, Municipal Directory; Statistical Offices, Population 2011; own calculations.
(3) Source: BBSR – Regional Planning 2040.
(4) Source: GfK Purchasing Power Germany 2021.
(5) Source: Statistical Offices, Unemployment.
(6) Hanover is part of the Hanover region (district). This table shows values on the district level for projected population growth.

12.1.3 Sweden

12.1.3.1 Demographic trends

In 2020, Sweden had a population of approximately 10.4 million. Sweden’s population has been growing steadily over the past years, resulting from both, the positive net migration as well as a higher number of births than deaths. In 2020, however, Sweden saw the smallest population increase in 15 years with a growth rate of 0.5% compared to 1.0% in 2019 and 1.1% in 2018, in each case compared to the respective previous year. Both immigration and average life expectancy were affected by the Covid-19 pandemic and immigration declined by 29% in 2020, compared to 2019 (*Sources*: SCB, Population and Population Changes and SCB, Population Change 2020). An increase in the population is expected in the long term and the population is expected to be just over 11 million by 2040 (representing an increase of 0.9 million people or 9% compared to 2020). Population growth is expected to be uneven around the country, with both municipalities expected to have a population growth and municipalities expected to have a population decrease by 2040 (*Source*: SCB, Population Forecast).

The number of households in Sweden has increased in recent years. In 2020, there were 4.78 million households, compared to 4.72 million in 2019 and 4.66 million in 2018, representing a total increase of approximately 2.6% from 2018 to 2020 (*Source*: SCB, Population Statistics).

The average household size decreased from 2.19 persons per household in 2018 and 2019 to 2.17 persons in 2020 (*Source*: SCB, Population Statistics). This small decrease reflects an increase in the number of small households (*i.e.* households with one or two persons), which share amounted to 70.5% in 2020 (compared to 70.1% in 2019 and 69.9% in 2018) (*Source*: SCB, Household Size).

The share of the Swedish population aged 65 years and more grew from 18.1% in 2010 to 20.0% in 2020, with the average share for the European Union amounting to 20.6% in 2020 (*Source*: Eurostat Database). The share of Swedish population aged 65 years and more is expected to rise to 22.8% in 2040, with the proportion of people aged 65 years and older increasing in all Swedish counties. In addition, the proportion of people aged 80 years and older is also increasing and by 2040, 8% of the population are expected to be 80 years or older, compared to 5% as at the time of this Prospectus (*Sources*: Eurostat, Ageing Europe Online and SCB, Population Forecast).

12.1.3.2 Gross Domestic Product and economic growth developments

After several years GDP growth, with GDP increasing by 2.0% in 2018 and by 2.0% in 2019, GDP fell by 2.8% in 2020, in each case compared to the respective previous year (*Sources*: NIER, Swedish Economy 09-2020 and NIER, Swedish Economy 09-2021).

Sweden's government has taken a special path during the Covid-19 pandemic and has abstained from implementing strict lockdowns (*Source*: Capital, Sweden's Special Way). As a result, Sweden’s economy did not experience such a severe slump at the beginning of the pandemic compared to other European countries, but it also has not experienced an above-average catch-up effect in the course of the ongoing economic recovery (*Source*: Eurostat, GDP Development 2020). The recession was mitigated by significant financial support measures on a national level and inherent features of the Swedish economy, such as a high share of jobs that can be performed remotely, a relatively small hospitality sector and a large export sector (*Source*: GTAI, Sweden Economy). Nevertheless, contact-related services have also decreased and consumer spending by Swedish households decreased by 4.7% in 2020 compared to 2019. The largest decline was in the clothing industry, hotels and restaurants, in each case amounting to more than 20% compared to 2019, with only spending on food, furniture and home appliances increasing (*Sources*: NIER, Swedish Economy 09-2021 and GTAI, Sweden Economy). In 2019, the rate of private consumer spending increased by 0.7% and by 1.8% in 2018, in each case compared with the previous year (*Sources*: NIER, Swedish Economy 09-2021 and NIER, Swedish Economy 09-2020). Despite increased costs due to the Covid-19 pandemic and significant financial support from the Swedish government, the spending of municipalities decreased during the pandemic by 0.6% in 2020 (Source: NIER, Swedish Economy 09-2021). In 2019, public household spending had still increased by 0.3%, and in 2018 by 0.8% compared to the previous year (*Sources*: NIER, Swedish Economy 09-2021 and NIER, Swedish Economy 09-2021).

In the year 2021, a significant recovery in household spending is expected with an increase of 4.9% and 2.9% by public household spending. (*Source*: NIER, Swedish Economy 09-2021). The forecasts for GDP growth rates are 4.7% for 2021 and 3.9% for 2022 (*Source*: NIER, Swedish Economy 09-2021). The European Commission assumes that economic growth in Sweden is set to accelerate over the course of 2021. Private consumption, spurred by the unwinding of precautionary savings, and strong exports are expected to drive the recovery (*Source*: European Economic Forecast Spring 2021). The European Commission forecasts a growth rate of real GDP for Sweden of 4.6% in 2021 and of 3.6% in 2022 and for the European Union of 4.8% in 2021 and of 4.5% in 2022 (*Source*: European Economic Forecast Summer 2021).

12.1.3.3 Employment, purchasing power and consumer price development

After years of stable employment and an unemployment rate of 6.3% in 2018 and 6.8% in 2019, Sweden's labor market was severely affected by the Covid-19 pandemic. In 2020, the unemployment rate rose to 8.3% (*Sources*: NIER, Swedish Economy 09-2020; NIER, Swedish Economy 09-2021). A fast economic recovery is expected to boost the labor market and – contrary to more pessimistic forecasts in December – the unemployment rate is expected to slightly increase further to 8.9% in 2021 and fall to 7.6% in 2022 (*Source*: NIER, Swedish Economy 2020; NIER, Swedish Economy 09-2021).

In 2019, the disposable income amounted SEK380,000 per household (median value) or SEK489,900 per household (mean value). In 2018, the disposable income was SEK 378,100 per household (median value), compared to SEK 487,400 per household (mean value) (*Source*: Statistics Sweden, Disposable Income).

The increase in the consumer price index with a fixed rate (***CPIF***) amounted to 0.5% in December 2020 compared to December 2019. The increase of the CPIF was slowed down by falling energy prices and the small increase in prices for services (*Source*: NIER, Swedish Economy 2020). In 2019, the inflation rate amounted to 1.7%, and to 2.1% in 2018 (*Sources*: NIER, Swedish Economy 2019 and NIER, Swedish Economy 2020). As elsewhere, inflation in Sweden has risen rapidly so far in 2021 and the CPIF is expected to 2.1% in annual average. This strong inflation is largely a result of soaring energy prices. In 2022, energy prices will drop again, and CPIF inflation will be well below the Riksbank’s target of 2% at the end of the year. Even when energy prices are excluded, inflation will ease in the second half of 2022 (*Source*: NIER, Swedish Economy 09-2021).

12.1.3.4 Overview of the Swedish residential real estate market

The Swedish housing market has been resilient during the Covid-19 pandemic (*Source*: Swedbank 2020-11). According to Svefa, rental apartments make up one of the real estate market segments that are coping better with the Covid-19 crisis (*Source*: Svefa, Svensk Fastighetsmarknad 2020). There is a considerable and growing interest in this segment among Swedish and international investors alike (*Source*: Boverkets Indikatorer 2020-12).

The relevance of the real estate and housing market for the Swedish economy is reflected in its contribution to gross value added. In 2020, the Swedish real estate activities amounted to EUR 38.7 billion, representing 9.2% of Sweden’s total gross value added in 2020 (*Source*: Eurostat, Gross Value Added).

As of December 31, 2020, there were approximately 5.0 million dwellings in Sweden. Among these, 42% were in one- or two-dwelling buildings, 51% were in multi-dwelling buildings, 5% were in special housing and 2% were in other buildings. The average size per dwelling in multi-dwellings buildings is 68 sqm, while in one- or two-dwelling buildings the average size is 122 sqm (*Source*: SCB, Dwelling Stock).

In Sweden, the forms of tenure include the right to rent, the tenant-owner right and the right of ownership. In addition, there is a cooperative right to rent, which is used to a lesser extent. A large part of the housing production focuses on tenant-owner and the right to rent in multi-unit dwellings (*Source*: Boverket, Housing Market). In 2020, 38% of dwellings in Sweden were rented dwellings, while 62% were either tenant-owned- or owner-occupied dwellings (*Source*: SCB, Tenure). Real estate-related spending comprises a large portion of a household’s expenditure, with the share of rent amounting to 30.4% of the disposable household income in the year 2020 (*Source*: Eurostat, Share of Rent).

The vacancy ratio, measured as the share of vacant dwellings in multi-dwelling buildings on the open market, amounted to 0.6% in 2019 (*Source*: SCB, Vacancy).

Over the last ten years, the rent level increased each year. In 2021 rents rose by 1.4% and by 1.9% in 2020 and 2019, in each case compared to the respective previous year (*Source*: SCB, Rent Development). Most of the housing rents in Sweden are set by collective negotiations between landlords and a tenant organization (usually the tenant association). At least in attractive areas, rents in the existing stock tend to be below the market rent level, whereas rents in new production are often market-oriented (*Source*: Boverket, Housing Market). The average new rent (median) in rented dwellings amounted to SEK 96 per sqm per month in 2021 (compared to SEK 94 per sqm per month in 2020 and SEK 91 per sqm per month in 2019) (*Source*: SCB, Rents). Major trends such as ongoing urbanization, smaller household sizes and a strong growth in housing prices for owned apartments and houses are fueling the demand for rental apartments, which may further intensify in times of uncertainty (*Source*: Savills, Residential Market Overview).

The market for residential property ownership has not been significantly affected by the Covid-19 pandemic (*Source*: Svefa, Svensk Fastighetsmarknad 2020). Before the outbreak of the Covid-19 pandemic in the beginning of 2020, home prices had recovered after a decrease at the end of 2017. The upswing continued at the start of 2020. Measured against the Valueguard HOX price index, which reflects the price development of typical condominiums and single-family homes, condominium prices fell slightly in the second quarter of 2020 but rose again afterwards and residential property prices continued to increase in the course of 2020 (*Sources*: Boverkets Indikatorer 2020-12 and Boverkets Indikatorer 2021-06). Prices of all residential properties purchased by households (flats, detached houses, terraced houses, etc.), both new and existing as captured by Eurostat's house price index increased by 5.3% in the fourth quarter of 2020, compared to 3.3% in the fourth quarter of 2019 and 0.7% in the fourth quarter of 2018, in each case the percentage as compared to the fourth quarter of the previous year. Prices continued to climb at the start of 2021 (*Source*: Eurostat, House Price Index).

12.1.3.5 Overview of the Swedish development market

In addition to the factors described above, driving the demand for housing, trends in the building and construction sector are of particular relevance for the development market.

There is significant pressure within the Swedish housing market. Housing shortage has been built up since 2006, when the population began to grow faster than housing construction. As construction has gradually increased and population growth has begun to slow down, the deficit has decreased somewhat in more recent years after gradually increasing for a long time. (*Source*: Sveriges Allmännytta, Housing Market and Boverket, Residential New Construction Demand). The number of municipalities with a balanced housing market is increasing, but in 2021, 207 (in 2020: 212) out of 290 municipalities reported a shortage of homes in Boverket's residential housing market survey. In 2020, the greater Stockholm, Gothenburg and Malmö regions accounted for around 76% of the total deficit. In particular, rental apartments were in short supply. In many municipalities, however, residential construction activity is hampered by high construction costs. Furthermore, the lack of zoning plans (*detaliplan*) for attractive land as well as strict lending requirements and difficulties for private individuals in being granted loans limit new construction (*Sources*: Boverket, Housing Market Survey 2020; Boverket, Housing Market Survey 2021 and Savills, Residential Market Overview). According to Boverket's 2021 estimates, approximately 59,000 new apartments will need to be built every year between 2021 and 2029 to accommodate the expected population growth and reduce the pent-up housing deficit (*Source*: Boverket, Residential New Construction Demand).

The strong demand for homes contributed to the resilience of the construction industry during the Covid-19 pandemic (*Source*: SEB 2020-11). According to preliminary figures for 2020, the construction of 51,550 dwellings in new buildings commenced. This represents an increase of 6% compared to 2019, when the construction of 48,581 dwellings was started after 2018 with the start of the construction of 52,654 dwellings (*Source*: SCB, Started Dwellings). Meanwhile, in 2020, 50,479 dwellings in newly constructed buildings were completed, representing a decrease of 9.3% compared to 55,659 completed dwellings in 2019. This represents an increase of 1.4% compared to 54,876 completed dwellings in newly constructed buildings in 2018. In total new construction and conversion led to 54,134 new dwellings in 2020, which equals 8% less than 2019 (*Sources*: SCB, Construction/Completion and SCB, Construction and Conversion). Boverket experts expect residential construction to increase in the short term (*Source*: Boverkets Indikatorer 2021-06). However, a high rate of new construction of rental apartments can contribute to lower demand in the long term especially in the less attractive markets (*Source*: Svefa, Svensk Fastighetsmarknad 2021).

12.1.4 Austria

12.1.4.1 Demographic trends

As of January 1, 2021, a total of 8.9 million people lived in Austria, 0.36% more than on January 1, 2020. In 2019, the population of Austria increased by 0.48%. Austria's population growth in the past two decades was primarily due to the positive migration balance, while the number of births to deaths was largely balanced (*Sources*: Statistics Austria, Population at the Beginning of the Year and Quarter and Statistics Austria, Population Change by Components). A further increase in the Austrian population is expected by 6% between 2019 and 2040 to 9.45 million, with the expected population growth being exclusively due to migration gains. Population growth will be distributed differently across regions (*Source*: Statistics Austria, Press Release Population Forecast).

The number of households in Austria has increased in recent years. In 2020, there were 3.99 million households, compared to 3.95 million in 2019 and 3.92 million in 2018. This represents a total increase of approximately 1.8% from 2018 to 2020 (*Source*: Statistics Austria, Private Households and Families).

The average household size in Austria decreased slightly from 2.22 persons in 2018 to 2.21 in 2019 and to 2.20 persons in 2020 (*Source*: Statistics Austria, Private Households and Families). This decrease reflects the increase in the share of small households (*i.e.* households with one or two persons), which amounted to 68.1% in 2020 (compared to 67.8% in 2019 and 67.5% in 2018) (*Source*: Statistics Austria, Private Households by Size). The number of households is expected to further increase by 10.5% between 2019 and 2040, largely driven by the growth in one-person-households (expected to increase by 18.6%) and two-person-households (expected to increase by 10.8%), while the average household size is expected to decrease further to 2.12 by 2040 (*Source*: Statistics Austria, Household Projection 2020).

The share of the Austrian population aged 65 years and more grew from 17.6% in 2010 to 19.0% in 2020, with the average share in the European Union amounting to 20.6% in 2020 (Source: Eurostat

Database). The share of population aged 65 years and more is expected to rise to 26.4% in 2040 and the absolute number is expected to rise from approximately 1.7 million people 65 years and older in 2019 to approximately 2.5 million in 2040 (*Source*: Statistics Austria, Population Projection 2020).

12.1.4.2 Gross Domestic Product and economic growth developments

After GDP growth of 2.5% in 2018, which continued in 2019 at a rate of 1.5%, Austria was severely affected by the Covid-19 pandemic. This was mainly due to the fact that the hospitality sector plays a significant economic role, with its share in relation to GDP being three times higher in Austria than in Germany. In 2020, real GDP decreased by 6.7%, representing a considerable reduction in economic output, which significantly exceeded the decline of 3.8% in 2009 in the wake of the global economic and financial crisis (*Sources*: Statistics Austria, Austrian figures 04/2021, Statistics Austria, Austrian figures 06/2021, Statistics Austria, Revision GDP 09/2021).

While the industry was able to adapt its processes and the construction industry was affected only to a minor extent by the Covid-19 pandemic, some service sectors, in particular restaurant and hospitality sector and contact-related services (*persönliche Dienstleistungen*), suffered the most severe losses (*Source:* Bank Austria, Focus Austria). The effects of the measures to contain the Covid-19 pandemic were particularly evident in the development of domestic demand in 2020, especially in private consumption, which decreased by 8.5% compared to 2019 (increase by 0.7% in 2019 and by 1.1% in 2018, in each case compared to the respective previous year). Public consumption decreased by 0.5% in 2020, following an increase of 1.5% in 2019 and 1.2% in 2018, in each case compared to the respective previous year (*Source*: WIFO, National Accounts Data 2020 and Forecast). With the easing of the measures taken to contain the Covid-19 pandemic in mid-May, an increase in household consumption demand and a rise in the value added of consumption-related services were recorded. The recovery of the industrial economy continued in the second quarter (*Source*: WIFO Press Release July 2021). The Austrian Institute of Economic Research (*Österreichisches Institut für Wirtschaftsforschung*, ***WIFO)*** forecasts a growth of GDP by 4.4% in 2021 and 4.8% in 2022 (*Source*: WIFO Press Release Forecast 2021 and 2022). The European Commission forecasts a growth rate of real GDP for Austria of 3.8% in 2021 and of 4.5% in 2022 and for the European Union of 4.8% in 2021 and of 4.5% in 2022 (*Source*: European Economic Forecast Summer 2021).

12.1.4.3 Employment, purchasing power and consumer price development

Until the beginning of the Covid-19 pandemic, the unemployment rate decreased from 7.7% in 2018 to 7.4% in 2019, in line with the robust economic development (*Source*: Statistics Austria, Labour Market Indicators). The measures to contain the Covid-19 pandemic from 2020 on had a particularly strong impact on labor market developments. For example, the number of employed persons decreased by more than 80,000 to 3.7 million in 2020 – the first time Austria recorded a decline in employment since 2009. On average, the number of unemployed persons increased from 301,000 in 2019 to 410,000 in 2020 (*Source*: OeNB, Economic Situation 01/2021). According to WIFO, the unemployment rate according to the national definition has thus risen to 9.9% in 2020 despite the broad utilization of Covid-19 related short-time work (*Kurzarbeit*). The unemployment rate is expected to amount to an average of 8.2% in 2021 and 7.4% in 2022 (*Sources*: WIFO Press Release Forecast 2020 to 2022 and WIFO Press Release Forecast 2021 and 2022).

In 2020, the purchasing power amounted to EUR 23,585 per capita, compared to EUR 24,067 per capita in 2019. In 2021, the purchasing power is expected to be EUR 24,232 per capita (*Sources*: GfK News Purchasing Power DACH-2021; GfK Press Release Purchasing Power Europe 2020; GfK News Purchasing Power DACH-2019).

Based on an inflation rate of 2.0% in 2018 and 1.5% in 2019, inflation based on the CPI amounted to 1.4% in 2020 (*Source*: Statistics Austria, CPI Inflation Rates 1999 to 2020). While the low price of crude oil dampened inflation, service prices, in particular rents and hospitality services as well as food prices drove inflation (*Source*: IHS, Forecast December 2020). As a result of the higher oil price, price distortions due to supply bottlenecks and demand-driven by the incipient recovery, inflation has risen significantly since the beginning of the year and is expected to reach levels of up to 3% in the fall, but to ease again somewhat at the turn of the year. For 2021 the average inflation of 2.4% is expected to decline to 2.1% in 2022 (*Source*: Bank Austria, Austria Up-to-date September 2021).

12.1.4.4 Overview of the Austrian residential real estate market

Negative effects of the Covid-19 pandemic affected the Austrian residential sector only to a limited extent. On the contrary – the asset class was particularly noticeable due to its high level of crisis resilience. The high resilience of the residential segment increased the interest of an even broader investor base (*Source*: CBRE, Outlook Austria 2021).

The relevance of the real estate and housing market for the Austrian economy is reflected in its contribution to gross value added, as real estate activities amount to EUR 36.7 billion, representing 10.9% of Austria's total gross value added in 2020 (*Source*: Eurostat, Gross Value Added).

As of January 1, 2021, there were approximately 4.9 million dwellings in Austria. The number of residential buildings amounted to 2.1 million (*Source*: Statistics Austria, Buildings and Dwellings). The number of main residence dwellings amounted to almost 4.0 million in 2020. In these units the share of rental units amounted to approximately 43% in 2020. In 2020, the apartments of homeowners were by far the largest at 142 sqm, followed by "other legal relationships" at 95 sqm (which also include relatives of the owners), owner-occupied apartments at 84 sqm and, finally, rental apartments between 61 sqm and 70 sqm, depending on the type of main rent (*Source*: Statistics Austria, Housing).

The desire for more living space, better facilities and private open spaces in the light of the Covid-19 pandemic and the lockdown experiences are offset by economic uncertainties and rising unemployment during the Covid-19 pandemic. The negative economic consequences of the Covid-19 pandemic may be perceived to be greater and more sustainable than the experiences during the lockdown, rather leading to the postponement of decisions on one's living situation. In addition, the real estate industry is very slow in its ability to react to short-term changes in demand (*Source*: CBRE, Outlook Austria 2021). Real estate-related spending comprises a large portion of a household's expenditure. In 2020, the share of rent related to occupied dwelling in disposable household income in Austria amounted to 21.8% (*Source*: Eurostat, Share of Rent).

Rents increased in recent years. Measured within the Austrian CPI, rents (excluding ancillary costs) rose by 4.1% in 2020, by 3.0% in 2019 and by 3.7% in 2018, in each case compared to the respective previous year (*Source*: OeNB Property Market Analysis 2021-Q3) According to microcensus data, the average net cold rent for main residence rental apartments amounted to EUR 6.20 per sqm in 2020, compared to EUR 5.97 per sqm in 2019 and EUR 5.80 per sqm in 2018. Based on current microcensus data the average net cold rent for main residence rental apartments appears to be slightly lower in the first and the second quarter of 2021 than in the respective previous quarter each. Although a comparison of the net rents in 2021 with those of 2020 and before is only possible to a limited extent because of a break in time series due to change of survey in the first quarter of 2021 (*Source*: Statistics Austria, Rents). There appears to be pressure on rents. Due to the large supply on the rental market, high rents must be justified, as potential tenants will find a wide range of rental apartments. While the large supply of smaller and two-room units is not matched by corresponding demand, there is strong demand for three- to four-room apartments, which are traditionally more likely to be found in the old building stock. At the same time, there is a high demand for open space, the availability of which is in turn severely limited in old stock (*Source*: CBRE, Outlook Austria 2021).

On the Austrian real estate market, the trend of rising residential real estate prices recorded in 2020 continued in the fourth quarter of 2020 and current data for the second quarter of 2021 shows a persistently high price increase for residential real estate across Austria. The values of the OeNB residential real estate price index published by the Austrian national bank (*Österreichische Nationalbank*, ***OeNB***) on the basis of new and used condominiums and single-family residences show increases of 7.0% in 2020, of 3.9% in 2019 and 6.9% in 2018, in each case compared to the previous year. The strong growth in 2020 was especially driven by the increased price levels of single-family homes. The Covid-19 pandemic and the resulting strong use of home offices are likely to increase the demand for living in the countryside or with a garden. The OeNB's fundamental price indicator for residential real estate in Austria signals a 19.4% deviation of prices from fundamentals for the second quarter of 2021. The deviation of the price development for residential real estate from the development of the factors contained in the fundamental price indicator has accelerated in recent quarters, which points to an increasing overheating of the residential real estate market (*Sources*: OeNB Property Market Analysis 2021-Q2 and OeNB Property Market Analysis 2021-Q3).

12.1.4.5 Overview of the Austrian development market

In addition to the factors described above, driving the demand for housing, trends in the building and construction sector are of particular relevance for the development market.

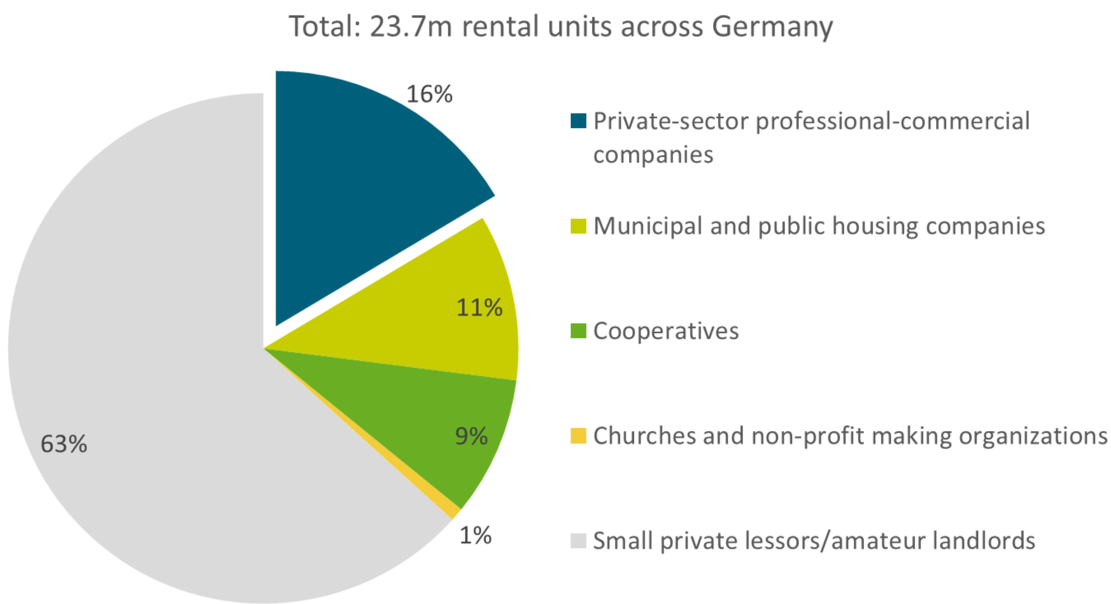
Residential construction activity in Austria has been geared towards addressing the increase in the demand for homes for some years now. In the period from 2013 to 2019, an average of 61,000 new apartments were built in Austria every year. This is likely to have covered the ongoing need for new construction. Nevertheless, the excess demand in some market segments, especially for affordable rental apartments, is likely to have only been partially reduced. The 2020 economic crisis is expected to boost demand in this segment (*Source*: Bank Austria, Real Estate Country Facts).

Construction activity in Austria increased in 2019. A total number of 77,699 residential units were completed (excluding apartments in Vienna approved through additions, construction and renovation activities), representing an increase of 12.5% compared to 69,214 in 2018. In 2018, the completion level increased by 12.3% compared to completion of 61,506 residential units in 2017 (*Source*: Statistics Austria, Completions). Nevertheless, the Covid-19 pandemic had a significant impact on housing construction activity in 2020. Due to the restrictions during the first lockdown in spring, real housing investment in 2020 fell by 4% year-on-year (*Source*: OeNB Property Market Analysis 2021-Q2). In 2020, permits were issued for the construction of 74,763 residential units (excluding apartments in Vienna approved through additions, construction and renovation activities), which represents a decrease of 4.0% compared to 77,847 in 2019. 2019 levels increased by 11.4% compared to permits issued for 69,862 residential units in 2018 (*Sources*: Statistics Austria, Permits 2020 and Statistics Austria, Residential Permits 2011-2020).

12.2 Competition

12.2.1 Provider structure Germany

Based on microcensus data for the year 2018, the German residential real estate market was comprised of approximately 41.4 million residential units (excluding 490,000 units in dormitories and accommodation), of which approximately 17.7 million (or approximately 43%) were owner-occupied and approximately 23.7 million (or approximately 57%) were rental units (*Source*: GdW, Data and Trends 2020/2021). The rental market is highly fragmented, as is reflected by the pie chart below:



(Source: GdW, Data and Trends 2020/2021)

The majority of the rented residential units are provided by various small private lessors or amateur landlords. Private-sector professional-commercial companies, like Vonovia, only manage 3.9 million units or approximately 16% of the rental housing stock. In more than 80% of the cases, municipal and public housing companies, cooperatives and small private lessors or amateur landlords constitute the relevant local competition in the rental segment (*Source*: GdW, Data and Trends 2020/2021).

12.2.2 Provider structure Sweden

In 2020, there was a total amount of approximately 5.0 million dwellings in Sweden. About 1.9 million of those, or 38%, were rented dwellings whereas another 1.9 million, or 38%, were owner-occupied dwellings. 1.2 million dwellings, or 24%, were tenant-owned (*Source*: SCB, Tenure).

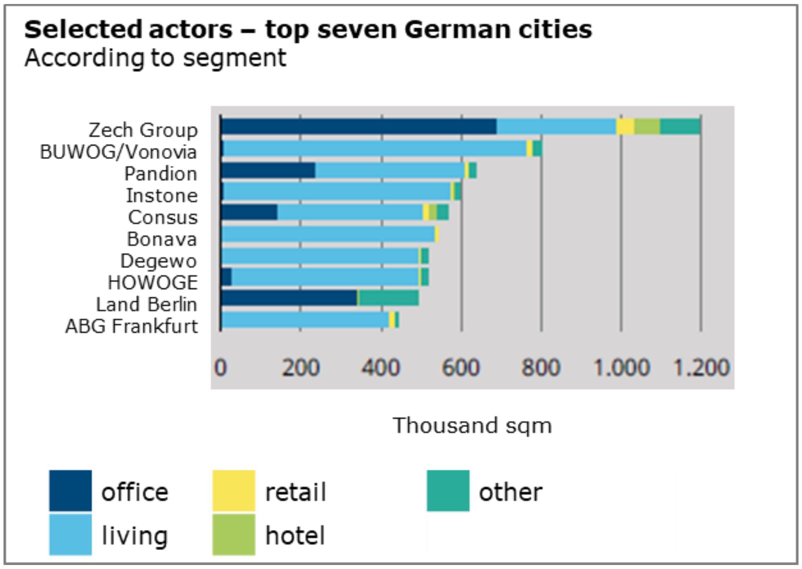
With regards to ownership, in 2020, with almost 2.1 million units (or approximately 41%) the majority of Swedish dwellings belonged to private persons. The second biggest share of approximately 1.2 million units, 24%, extended to housing cooperatives followed by approximately 829,000 dwellings, or 16%, owned by municipal housing companies. Another approximately 717,000 units, or 14%, were owned by Swedish joint-stock companies (excluding those who are acting as a part of municipal companies). Approximately 172,000 units, or 3%, were in the hands of "other owners", whereas the remaining units were either state-, municipal-, region-owned, cooperative tenancy compounds-owned or no data was available (*Source*: SCB, Ownership).

12.2.3 Provider structure Austria

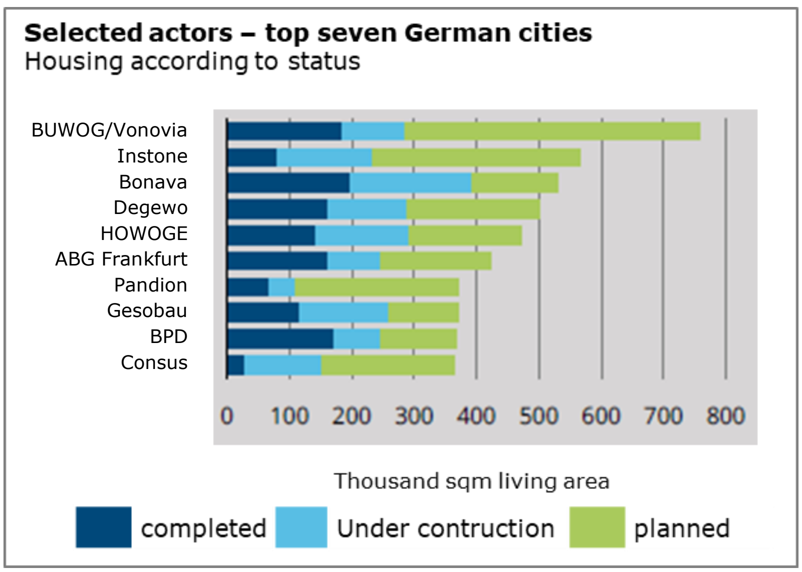
In Austria in 2020, there were almost 4.0 million main residence dwellings in total. Almost half of Austria's main residence housing units are owner occupied. A further 43% are rented. This rental segment consists of different types of main rental apartments. In the overall Austrian average, 7% are inhabited as communal apartments, 17% as cooperative apartments, 18% as other main rental apartments and 1% of private households sublet. The remaining 9% consist of different types of dwellings which are occupied by non-owners without the obligation to pay rent (*e.g.* relatives of owners), official residences etc. (*Source*: Statistics Austria, Housing).

12.2.4 Development business

The following charts provide an overview of the main actors in the German development market and their activities in the German top seven cities, Berlin, Hamburg, Cologne, Munich, Stuttgart, Düsseldorf and Frankfurt.



(*Source*: bulwiengesa)



(*Source*: bulwiengesa)

Vonovia (including BUWOG) is the second largest project developer across all segments and the largest constructor of residential units in the German top seven cities with a market share of approximately 3% in the residential segment. Because of the fragmented nature of the market, the ten largest project developers together have an aggregated market share of 20% in the German top seven cities (*Source*: bulwiengesa).

12.2.5 Companies

In instances in which Vonovia competes with other large listed or privately held companies (presented in the overview below in order of portfolio size as of December 31, 2020 according to the respective company's annual report, unless stated otherwise), the companies compete primarily for capital and other resources such as employees, craftsmen, service providers, building and work materials:

Company	**Residential (number)**	**Commercial (number)**	**Other[1] (number)**	**Floor Area (in million sqm)**	**Employees (number)**	**EBIT (in million EUR)**	**Net Result (in million EUR)**	**NAV (in million EUR)**
LEG Immobilien AG......	144,530	1,346	42,019	9,432	1,599	1,535.3	1,364.5	9,247.6
TAG Immobilien AG	87,001	1,156	156	5,302	1,354	583.2	402.6	3,234.2
Grand City Properties S.A.	63,826	–	–	4,074	882	640.2	449.1	4,566.4

(1) Parking spaces/garages and/or other units.

(*Sources*: LEG Immobilien AG, Annual Report 2020; TAG Immobilien AG, Annual Report 2020; Grand City Properties S.A., Annual Consolidated Financial Statements 2020)

13. BUSINESS

13.1 Overview

As of September 30, 2021, the Vonovia Portfolio comprised a housing stock of around 353,700 residential units in almost all of Germany's major cities and growth regions as well as around 38,500 units in Sweden and around 21,600 residential units in Austria. As of September 30, 2021, the Deutsche Wohnen Portfolio comprised approximately 157,600 residential and commercial units as well as nursing properties with around 9,270 beds and 1,030 places for assisted living.

As of September 30, 2021, the total fair value of the Vonovia Portfolio and the Deutsche Wohnen Portfolio amounted to EUR 95.4 billion, with EPRA NTA amounting to EUR 40,417.9 million. In addition to its own apartments, Vonovia managed 71,427 apartments for third parties. This makes Vonovia, according to its own assessment, one of the leading residential real estate companies in Germany, Austria and Sweden, albeit with a very low market share of around 1.5% in Germany due to the highly fragmented nature of the market. Effective September 18, 2020, Vonovia was included in the European blue chip stock index EURO STOXX 50, being currently the only real estate company and the first residential real estate company ever to be part of this index.

Vonovia’s business model is based on the rental of good-quality, modern and, most importantly, affordable apartments, the development and construction of new apartments, both for its own portfolio and for sale to third parties, the regular and sustainable disposals of individual condominiums and single-family houses, and the provision of comprehensive services relating to the living space and residential environment. These housing-related services include, on the one hand, the services provided by Vonovia’s own residential environment organization and craftsmen’s organization, such as repair and maintenance work. On the other hand, they include the services provided, such as cable TV, energy services, automated meter reading and the senior-friendly modernization of apartments, as well as a considerable proportion of the work carried out as part of the energy-efficient modernization of individual buildings and entire neighborhoods. Deutsche Wohnen focuses on the management and development of its property portfolio, concentrating on metropolitan areas (particularly Berlin), its project development business to create new residential space in strategic core and growth regions as well as assisted living activities related to its nursing properties.

The management of Vonovia’s operating business is based on the strategic approaches of the Group and is conducted via four segments: Rental, Value-add, Recurring Sales and Development.

- The Rental segment combines all of the business activities that are aimed at the value-enhancing management of Vonovia’s own residential real estate. It includes Vonovia’s property management activities in Germany, Austria and Sweden.
- The Value-add segment bundles all of the housing-related services that complement Vonovia’s core rental business. These services include both the maintenance and modernization work on Vonovia’s residential properties and services that are closely related to the rental business. In addition, Vonovia allocates the activities relating to the craftsmen’s organization and residential environment organization, the condominium administration business, the cable TV business, metering services, energy supplies and Vonovia’s insurance services to the Value-add segment.
- The Recurring Sales segment includes the regular and sustainable disposals of individual condominiums and single-family houses from Vonovia’s portfolio (it does not include the sale of entire buildings or land).
- Finally, the Development segment includes project development to build new homes. This covers the entire value chain starting with the purchase of land without any development plan/dedicated purpose and ending with the completion of new buildings and new construction measures on

Vonovia's own properties. These properties are either incorporated into Vonovia's own portfolio or sold to third parties.

Following the consolidation of Deutsche Wohnen effective as of September 30, 2021 and reflective of the group structure of Deutsche Wohnen, the management of Vonovia intends to report Deutsche Wohnen as a separate segment in the consolidated financial statements as of December 31, 2021.

13.1.1 Key developments and megatrends

Vonovia believes that it has a sustainable and solid business model that provides answers to the ecological and socio-political challenges facing it today and has the potential to contribute to the solutions. Vonovia believes that the main megatrends affecting residential property ownership are: (i) climate change and the drive to avoid fossil fuels with the aim of limiting emissions that are harmful to the environment, (ii) urbanization and the associated shortage of housing, (iii) demographic change and the demand for housing that meets the needs of today's society, and (iv) digitalization creating new requirements that residential as well as commercial properties have to meet.

13.1.2 Key financial figures for the 2020 fiscal year and the nine-month period ended September 30, 2021

In the fiscal year ended December 31, 2020, the Group generated income from property letting of EUR 3,069.4 million, EBITDA IFRS of EUR 1,822.4 million and Adjusted EBITDA Total of EUR 1,909.8 million, with Adjusted EBITDA Rental contributing EUR 1,554.2 million, Adjusted EBITDA Value-Add contributing EUR 152.3 million, Adjusted EBITDA Recurring Sales contributing EUR 92.4 million and Adjusted EBITDA Development contributing EUR 110.9 million. In the 2020 fiscal year, the Group generated a Group FFO (funds resulting from operational activities) of EUR 1,348.2 million.

In the nine-month period ended September 30, 2021, the Group generated income from property letting of EUR 2,359.8 million, EBITDA IFRS of EUR 1,426.9 million and Adjusted EBITDA Total of EUR 1,540.9 million, with Adjusted EBITDA Rental contributing EUR 1,240.0 million, Adjusted EBITDA Value-Add contributing EUR 115.6 million, Adjusted EBITDA Recurring Sales contributing EUR 105.5 million and Adjusted EBITDA Development contributing EUR 79.8 million. In the nine-month period ended September 30, 2021, the Group generated a Group FFO (funds resulting from operational activities) of EUR 1,147.3 million.

A reconciliation of Adjusted EBITDA Total, Adjusted EBITDA Rental, Adjusted EBITDA Value-Add, Adjusted EBITDA Recurring Sales, Adjusted EBITDA Development, FFO, and other non-IFRS measures (APMs) to the most comparable IFRS measures is provided in more detail in "*2.11 Alternative Performance Measures and Key Performance Indicators of Vonovia*".

Vonovia continued with its modernization, new construction and maintenance strategy in the nine-month period ended September 30, 2021. The total costs of maintenance, modernization and new construction activity fell by 0.4%, from EUR 1,360.0 million in the nine-month period ended September 30, 2020 to EUR 1,355.1 million in the nine-month period ended September 30, 2021. While the volume of maintenance measures was up on the prior-year level, the volume of modernization measures in the nine-month period ended September 30, 2021 was down on the previous year. The decline in the volume of modernization measures was largely due to significantly lower investing activities in Berlin as a result of the rent cap (*Mietendeckel*) and isolated restrictions related to Covid-19. As of September 30, 2021, the apartments of the Vonovia Portfolio were almost fully occupied. At 2.7%, the apartment vacancy rate of the Vonovia Portfolio was exactly on a par with the prior-year level seen at the end of the 2020 fiscal year (2.8%).

13.2 Strategy

Vonovia's group strategy, which is referred to as the "4+2 strategy", comprises the four core elements "*Property Management*", "*Portfolio Management*", "*Financing Strategy*" and "*Value-add Strategy*" on the one hand and the opportunistic elements "*Acquisition Strategy*" and "*European Internationalization Strategy*" on the other.

The two opportunistic elements can strengthen the impact of the four core elements. The "*Internationalization Strategy*" is based on the approach of tapping into other European markets as and when opportunities present themselves, provided that they have sufficient parallels to the German home market. The "Acquisition Strategy" ensures that all opportunities are analyzed appropriately, add value to the Group and are a strategic fit for Vonovia. Vonovia has a proven track record in this area as evidenced by its penetration of additional geographies outside of Germany (such as Austria and Sweden).

In addition, Vonovia's business is deeply rooted in "ESG" (*i.e.* environmental, social and governance) and sustainability aspects from an integral part of this "4+2" strategy where they substantially affect and support the future viability both of the strategy and the business model. For a discussion of Vonovia's specific ESG targets and organizational structure, see "*13.5 Sustainability*" below.

In detail, the elements of Vonovia's 4+2 strategy can be described as follows:

13.2.1 Property management strategy

The core element of Vonovia's "*Property Management Strategy*" is Vonovia's sophisticated management platform, which allows for the efficient management of the portfolio and the successful scaling of the property management business. In this respect, the Group makes use of a mix of regional and local services and the Group-wide bundling of services in central shared service centers, and benefits from the automated systems and cost-efficient operations which have been put in place for that purpose. Vonovia's own caretaker organization provides on-site support for Vonovia's existing properties. The aim of continuous improvements to the management platform is to improve the quality and efficiency of customer service. Handling the complexity of Vonovia's large nationwide real estate portfolio is the focal point within this context. The costs per unit is Vonovia's benchmark. Vonovia uses its management platform to manage the maintenance and modernization process, as well as procurement. As part of the further development, Vonovia keeps a constant eye on digitalization developments to generate further optimization potential for its platform and its customer service.

The Austrian and Swedish portfolios are managed by their own respective country-specific organizations. Both organizations generally aim to rival the standards set by the management platform that has already been established in Germany.

13.2.2 Portfolio management strategy

As part of its "*Portfolio Management Strategy*", Vonovia has divided its German real estate portfolio, on the one hand, into the "Strategic" portfolio, which focuses on value-enhancing property management and comprises the "Operate" and "Invest" sub-portfolios, and, on the other, into the "Recurring Sales" portfolio, which is aimed at selling residential property ownership to tenants, owner-occupiers and capital investors, as well as the "Non-core Disposals" portfolio, which includes locations and properties that are not absolutely essential to the Group's further strategic development.

In the "Operate" sub-portfolio of the "Strategic" portfolio, Vonovia aims to further increase the value of the properties by carrying out sustainable maintenance measures, increasing rents and reducing vacancy levels.

In the "Invest" sub-portfolio, Vonovia aims to create additional added value by implementing an extensive program of investments that responds to climate protection concerns and focuses on investments in energy-efficient renovation. Most of Vonovia's investments are in heat insulation for facades and roofs, as well as in new windows and heating systems. When it comes to investing in its apartments, Vonovia's measures to improve residential standards are often based on its customers' needs. In addition to modernizing and renovating bathrooms, installing new flooring and electrical installations, this also includes the demand for senior-friendly fittings.

Vonovia intends to create new living space in its portfolio in the future as part of its densification strategy, using a combination of vertical expansion and new construction on existing land. New construction and vertical expansion projects are frequently realized using a standardized series construction system with the help of pre-configured segments, making them much quicker to complete. A serial approach for new construction work using pre-configured elements allows standardization and scaling, ensuring reliable project implementation.

The Portfolio Management Strategy also includes the activities of the development business, operated under the BUWOG brand, on land purchased specifically for this purpose, adding another element to Vonovia's value chain. In addition, there is a transfer of substantial expertise between the development business and Vonovia's established new construction and vertical expansion activities. The development business includes the construction of rented apartments to be managed by Vonovia itself and the construction of owner-occupied apartments for sale to investors and owner-occupiers.

13.2.3 Financing strategy

Vonovia's "*Financing Strategy*" pursues various, complementary goals: These are centered on ensuring adequate, but also optimized, liquidity at all times, a balanced structure and maturity of debt capital, optimization of financing costs and maintenance of the current credit rating. Vonovia's aim is to maintain an ideal level of debt, measured in a loan-to-value ratio between around 40% and 45%.

Thanks to its broad range of equity and debt capital providers and the "BBB+/Stable/A-2" issuer credit rating awarded to Vonovia by Standard & Poor's, the "A3/stable" issuer credit rating by Moody's as well as the "A-" rating received from the rating agency Scope, Vonovia has strong and proven access to the international debt and equity capital markets. This gives Vonovia flexible access to capital based on favorable financing conditions.

Vonovia believes that this comprehensive access to the international debt and equity capital markets gives a European residential real estate company a clear strategic competitive edge, as it allows the efficient implementation of acquisitions and modernization programs.

The focus of the financing strategy is on maintaining the issuer credit ratings and optimizing the financing structure and maturity profile as well as financial risk management.

13.2.4 Value-add strategy

The "*Value-add Strategy*" supplements Vonovia's core business to include customer-oriented services that are closely related to or influence the rental business. As part of this strategy, Vonovia continually evaluates additional service ideas to boost customer satisfaction and add the corresponding services to its offering. Those areas of the "*Value-add Strategy*" that have already been established largely include the craftsmen's organization, the residential environment organization, multimedia services, energy services and metering services, and insurance services.

Vonovia believes that the capability of having its own craftsmen's organization cover the entire portfolio, in particular the maintenance and modernization services, allows it to make the units more attractive in general and help to boost customer satisfaction. In addition, Vonovia's residential environment organization consisting of its own employees is responsible for looking after outdoor areas, green spaces, playgrounds and refuse collection points within its properties.

This systematic reintegration of functions (*Insourcin*g) allows Vonovia to increase the proportion of services it provides itself on an ongoing basis, allowing Vonovia to ensure that its own employees are on site in the various property locations. In addition, this improves reaction times to customer inquiries and makes it easier to coordinate the services to be provided. Vonovia believes that craftsmen's availability that is ensured thanks to insourcing and the associated quality assurance of repair work ultimately also translate into higher levels of customer satisfaction.

The "*Value-add Strategy*" is rounded off by the condominium administration business and the management of properties for third parties.

13.2.5 Acquisition strategy

Vonovia has been growing in recent years thanks to a large number of acquisitions. Vonovia believes that its scalable operational management system allows it to achieve harmonization and generate economies of scale from the full and swift integration of newly acquired companies and portfolios.

Making the most of this competitive advantage and using the expertise that has been built up within Vonovia's organization, Vonovia is constantly analyzing portfolios that could constitute potential takeover targets. In accordance with Vonovia's Portfolio Management Strategy and its Value-add Strategy, Vonovia does not consider acquisitions to be the only way in which to achieve growth, but rather sees them as key additional strategic levers that help to strengthen the impact of Vonovia's core strategies. For example, the successful takeover of the project developer Bien-Ries AG, today operating under the name BUWOG – Rhein-Main Development GmbH, complements the regional coverage of Vonovia's development business.

Vonovia pursues its acquisitions as and when opportunities present themselves. Acquisitions have to be expected to increase value before they are conducted. Such increases in value are generally assessed in terms of strategic suitability, increases in EBITDA Rental yield and an impact on the EPRA NTA per share that is at least neutral; the standardized funding structure to assess NTA per share non-dilution is on a pro forma basis 50% equity and 50% debt. The actual funding of a transaction may differ. Furthermore, an acquisition should not have an adverse effect on Vonovia's stable corporate credit rating. Despite the shorter supply of attractive portfolios, Vonovia remains committed to the implementation of its Acquisition Strategy, as it believes that there are still opportunities for successful takeovers and integration measures available not only in Germany but in particular also in other European countries.

13.2.6 Internationalization strategy

Vonovia's experience and expertise on three European real estate markets Germany, Austria and Sweden serves as a reference that allows Vonovia to generate added value by tapping into other European markets. The potential target markets include those that are not yet as professional as the German real estate market, and those that offer attractive overall conditions in terms of rental market growth and household growth. The most important criteria for selecting new target markets are (i) a regulated tenant market, (ii) a high degree of urbanization and (iii) an imbalance between supply and demand.

Vonovia's activities in other European markets are performed by making targeted direct investments, such as in Austria and Sweden, but also, as an alternative, via selected and reliable joint venture partners in the first instance, which is the approach pursued in the French and Dutch markets. This may involve making contact with one of the Group's European partner companies, corresponding investors or political institutions which help to assess investment opportunities, cooperation options and opportunities for market entry. Vonovia pursues its internationalization strategy as and when opportunities present themselves, with the objective that its activities in other European markets must not affect its domestic business and must entail risk potential that can be controlled or limited. As of the date of this Prospectus, Vonovia is focusing on the international markets Austria, Sweden, the Netherlands and France.

13.3 Vonovia's Real Estate Portfolio

The Group's business focuses on its housing activities, and particularly on the management of its residential portfolio, which, in relation to the Vonovia Portfolio, represents approximately 95% of the Group's assets measured at rental income and, in relation to the Deutsche Wohnen Portfolio, approximately 94% of Deutsche Wohnen's assets measured at rental income.

As of September 30, 2021, the Vonovia held and managed a housing stock of approximately 568,451 residential units, 170,147 garages and parking spaces and 9,365 commercial units. The locations span 648 cities, towns and municipalities in Germany, Austria and Sweden. In addition, 71,427 residential units are managed by Vonovia for other owners. Most of the properties in the portfolio are multifamily residences.

13.3.1 Overview of the portfolio by country

In terms of fair value, most of the properties (around 84%) of the Vonovia Portfolio are located in Germany. The Swedish part of the Vonovia Portfolio accounts for around 11% of the fair value, while the share of the Austrian part of the Vonovia Portfolio comes to around 5%. The Deutsche Wohnen Portfolio is entirely located in Germany. The below tables show the Vonovia Portfolio as of September 30, 2021 and as of December 31, 2020.

Portfolio and fair value by country (as of September 30, 2021)

	Portfolio			Fair value*		
	Residential units	Lettable area (in thousand sqm)	Vacancy (in %)	(in EUR million)	(in EUR /sq m)	In-place rent multiplier
	(unaudited)					
Vonovia Germany	353,671	22,078	2.6	52,388.0	2,312	27.3
Vonovia Sweden	38,467	2,748	2.4	7,017.6	2,350	19.6
Vonovia Austria	21,596	1,600	5.4	2,905.7	1,652	26.4
Total	**413,734**	**26,425**	**2.7**	**62,311.3**	**2,274**	**26.1**
Deutsche Wohnen**	**154,717**	**9,303**	**1.6**	**27,610.0**	**2,843**	**32.9**

* Fair value of the developed land excl. EUR 5,457.4 million, of which EUR 652.3 million for undeveloped land and leasehold properties (*Erbbaurechte*), EUR 833.6 million for assets under construction, EUR 1,261.0 million for nursing portfolio, EUR 923.8 million for development and EUR 1,786.6 million for other.

** Shown based on the Deutsche Wohnen definition for each category.

Portfolio and fair value by country (as of December 31, 2020)

	Portfolio			Fair value*		
	Residential units	Lettable area (in thousand sqm)	Vacancy (in %)	(in EUR million)**	(in EUR /sqm)	In-place rent multiplier
	(unaudited, unless otherwise indicated)					
Vonovia Germany	355,285	22,177	2.2	47,782.8	2,099	25.4
Vonovia Sweden	38,248	2,738	2.3	6,219.4	2,090	17.1

Vonovia Austria	22,155	1,645	4.6	2,832.2	1,570	25.5
Total	**415,688**	**26,560**	**2.4**	**56,834**	**2,063**	**24.2**

* Fair value of the developed land excluding EUR 2,076.3 million, of which EUR 616.8 million for undeveloped land and leasehold properties (*Erbbaurechte*), EUR 386.1 million for assets under construction, EUR 779.1 million for development and EUR 294.2 million for other.

** Figures audited.

Rent and rental growth by country (as of September 30, 2021)

	In-place rent*			Rental growth	
	Total (p.a. in EUR million)	**Residential (p.a. in EUR million)**	**Residential (in EUR /sqm)**	**Organic (in %)**	**Market rent forecast valuation (in % p.a.)**
	(unaudited)				
Vonovia Germany	1,921	1,842	7.14	3.5	1.7
Vonovia Sweden	359	332	10.34	3.5	2.0
Vonovia Austria	110	89	4.87	3.6	1.4
Total	**2,390**	**2,263**	**7.34**	**3.5**	**1.7**
Deutsche Wohnen**	**833**	**782**	**7.17**	**1.2*****	**–**

* Shown based on the country-specific definition.

** Shown based on the Deutsche Wohnen definition for each category.

*** Shown based on the Deutsche Wohnen like-for-like definition.

Rent and rental growth by country (as of December 31, 2020)

	In-place rent*			Rental growth	
	Total (p.a. in EUR million)	**Residential (p.a. in EUR million)**	**Residential (in EUR /sqm)**	**Organic (in %)**	**Market rent forecast valuation (in % p.a.)**
	(unaudited)				
Vonovia Germany	1,883	1,805	6.95	2.8	1.7
Vonovia Sweden	357	331	10.31	4.7	2.0
Vonovia Austria	111	90	4.79	5.1	1.4
Total	**2,352**	**2,225**	**7.16**	**3.1**	**1.7**

* Shown based on the country-specific definition.

As of September 30, 2021, the Vonovia Portfolio across Germany comprised 353,671 residential units, 97,024 garages and parking spaces and 3,757 commercial units distributed across 463 cities, towns and municipalities. The total lettable area amounted to 22,077,920 sqm, with the average apartment size coming in at around 62 sqm. With a vacancy rate of around 2.6%, the Vonovia Portfolio generated an average monthly in-place rent of EUR 7.14 per sqm in Germany. The annualized in-place rent as of September 30, 2021 came to EUR 1,842 million for apartments.

In Sweden, the Vonovia Portfolio comprised 38,467 residential units spanning a total lettable area of 2,747,758 sqm, 24,882 garages and parking spaces and 2,151 commercial units as of September 30, 2021. With a vacancy rate of around 2.4%, the residential portfolio generated annualized in-place rent of

EUR 332 million. The apartments, which average 71 sqm in size, generate monthly in-place rent of EUR 10.34 per sqm (inclusive rent). Most of them are located in the Stockholm, Gothenburg and Malmö regions.

In the Austrian part of the Vonovia Portfolio, which is largely located in Vienna, Vonovia achieved an annualized in-place rent of EUR 89 million as of September 30, 2021, with a vacancy rate of around 5.4%, in the residential portfolio, which comprises 21,596 units covering total living space of 1,599,704 sqm. The monthly in-place rent amounted to EUR 4.87 per sqm with an average apartment size of around 74 sqm. The portfolio also comprised 16,901 garages and parking spaces and 591 commercial units.

As of September 30, 2021, the Deutsche Wohnen Portfolio comprised 154,717 residential units, 31,340 garages and parking spaces and 2,866 commercial units distributed across 77 cities, towns and municipalities. The total lettable area amounted to 9,302,533 sqm, with the average apartment size coming in at around 60 sqm. With a vacancy rate of around 1.6%, Deutsche Wohnen generated an average monthly in-place rent of EUR 7.17 per sqm. The annualized in-place rent as of September 30, 2021 came to EUR 782 million for apartments.

13.3.2 Portfolio classification

In managing its portfolio, Vonovia follows a disciplined approach and has a strong track record in value creation. In addition to the three country portfolios of the Vonovia Portfolio, namely "Vonovia Germany", "Vonovia Sweden" and "Vonovia Austria", Vonovia classifies the Vonovia Portfolio's properties within Germany into three portfolio clusters: (i) "Strategic", which comprises the sub-portfolios "Operate" and "Invest", (ii) "Recurring Sales" (residential units that are privatized), and (iii) "Non-core Disposals".

The Deutsche Wohnen Portfolio is currently not included in Vonovia's portfolio clusters and regional markets. The properties will be assessed as part of the integration process and incorporated into the Vonovia Portfolio clusters at a later date. For information on Deutsche Wohnen's current portfolio classification, see "*10.4.1 Portfolio*".

The following table provides an overview of the Vonovia Portfolio clusters in Germany (percentages are based on fair value):

Portfolio and fair value by portfolio cluster (as of September 30, 2021)

	Portfolio			**Fair value**		
	Residential units	**Lettable area (in thousand sqm)**	**Vacancy (in %)**	**(in EUR million)**	**(in EUR / sqm)**	**In-place rent multiplier**
	(unaudited)					
Strategic	328,140	20,361	2.5	48,104.6	2,305	27.2
Operate	107,401	6,715	2.5	16,336.7	2,290	25.3
Invest	220,739	13,646	2.5	31,767.9	2,313	28.3
Recurring Sales	24,458	1,630	3.0	4,106.6	2,468	28.7
Non-core Disposals	1,073	87	12.8	176.8	1,384	18.3
Vonovia Germany	**353,671**	**22,078**	**2.6**	**52,388.0**	**2,312**	**27.3**

The following table shows the rent and rental growth by portfolio cluster in the Vonovia Portfolio in Germany:

Rent and rental growth by portfolio cluster (as of September 30, 2021)

	In-place rent			Rental growth	
	Total (p.a. in EUR million)	**Residential (p.a. in EUR million)**	**Residential (in EUR /sqm)**	**Organic (in %)**	**Market rent forecast valuation (in % p.a.)**
			(unaudited)		
Strategic	1,768	1,697	7.12	3.6	1.7
Operate	647	589	7.51	4.5	1.6
Invest	1,122	1,108	6.94	3.1	1.7
Recurring Sales	143	138	7.25	2.8	1.7
Non-core Disposals	10	7	8.08	4.2	1.7
Vonovia Germany	**1,921**	**1,842**	**7.14**	**3.5**	**1.7**

- "*Strategic*". As of September 30, 2021, 328,140 of the Vonovia's residential units with an in-place rent of EUR 7.12 per sqm and a vacancy rate of approximately 2.5% were allocated to the "Strategic" portfolio. The "Strategic" portfolio, which represents around 92% of the Vonovia Portfolio in Germany in terms of fair value, includes locations with clearly above-average development potential, for which Vonovia pursues a strategy of value-creating management. The "Strategic" portfolio is divided into the following two portfolio clusters:
- "*Operate*". As of September 30, 2021, 107,401 of the Vonovia's residential units were allocated to the "Operate" subportfolio. This corresponds to around 31% of Vonovia Portfolio's total residential portfolio in Germany in terms of fair value. These are assets where, in Vonovia's view, no significant portfolio actions, such as large investments or disposals, are required in the medium term. The strategic focus in this subportfolio is primarily on increasing customer satisfaction and continuous improvement, *e.g.* through balanced rent increase, vacancy reduction or well-prioritized maintenance spending.
- "*Invest*". As of September 30, 2021, 220,739 of the Vonovia's residential units were allocated to the "Invest" subportfolio. This corresponds to approximately 61% of Vonovia Portfolio's total residential portfolio in Germany in terms of fair value. In this subportfolio, Vonovia includes the properties which have been earmarked for projects to improve energy efficiency, depending on the availability of sufficient capital.
- "*Recurring Sales*". As of September 30, 2021, 24,458 of the Vonovia's residential units with an in-place rent of EUR 7.25 per sqm and a vacancy rate of approximately 3.0% were allocated to the "*Recurring Sales*" portfolio. This corresponds to approximately 8% of Vonovia Portfolio's total residential portfolio in Germany in terms of fair value. It includes the regular and sustainable disposals of individual condominiums and single-family houses from the Vonovia Portfolio that have already been prepared for sale to homeowners and small capital investors. Vonovia aims to sell these units over the long term at average prices that are higher than their fair value.
- "*Non-core Disposals*". As of September 30, 2021, 1,073 of the Vonovia's residential units with an in-place rent of EUR 8.08 per sqm and a vacancy rate of approximately 12.8% were allocated to the "*Non-core Disposals*" portfolio. The "Non-core Disposals" portfolio represents less than 1% of Vonovia Portfolio's total residential portfolio in Germany in terms of fair value. Vonovia includes

properties in locations with below-average development potential in the medium to long term in the "Non-core Disposals" portfolio. The "Non-core Disposals" portfolio includes buildings located in cities or regions with a minimal Group presence, or situated in a macro or micro location with a negative future outlook and structurally low rent levels or high vacancy rates, or a combination thereof. Vonovia intends to sell those buildings at prices around fair value.

13.3.3 Investments

Vonovia invests in the maintenance and modernization of its own portfolio on an ongoing basis, the aim being to ensure and improve the quality of its real estate portfolio. As a major residential real estate company, Vonovia can use standardized procedures and materials to achieve economies of scale in its investment activities. Vonovia employs modern standards in the corresponding measures and selects the building materials carefully. When it comes to modernization measures, for example, Vonovia uses selected and tested materials and explicitly subjects the companies performing the measures to the obligation to use them. By purchasing construction materials centrally via Vonovia's procurement department, the risk of hazardous or poisonous substances being used can be kept at a minimum.

Vonovia applies strict criteria when selecting investment opportunities and concentrates primarily on those projects that promise a disproportionate increase in property value. This is generally achieved by balancing the following four factors:

- Tenant perspective: affordability and fit-for-purpose measures;
- Technical perspective: mix of necessary and value-creating measures;
- Economic perspective: adequate returns; and
- Sustainability perspective: energy efficiency and reduction of CO_2 footprint.

The entire investment process, from project selection through post-completion audit, is in the responsibility of the central portfolio management and is supervised by a central portfolio controlling unit. All departments involved in the process contribute their expert knowledge in order to ensure the projects' successful completion. For example, the modernization function is also responsible for cost calculation and supervision of works.

Vonovia offers conversion measures to meet specific tenant needs – for example, senior-friendly apartment conversions – and makes mobility and security solutions available. In Germany, Vonovia intends to convert at least every third existing apartment that is newly rented to be senior friendly, and ensures that vacant apartments are refurbished and spaces are redesigned to be fully accessible or barrier-free. In addition, Vonovia builds and designs existing apartments in a way that even groups with special needs – such as people with dementia – can feel at home here. With this systematic focus on senior-friendly extension and refurbishment, Vonovia is adapting its portfolio to the process of demographic change within the society.

Despite the Covid-19 pandemic, the Group was able to continue with its modernization, new construction and maintenance strategy in the 2020 fiscal year and the nine-month period ended September 30, 2021. The total volume of Vonovia's maintenance, modernization and new construction activity was EUR 1,935.9 million in the 2020 fiscal year (2019: EUR 1,971.1 million; 2018: EUR 1,569.4 million) and EUR 1,355.1 million for the nine-month period ended September 30, 2021 (nine-month period ended September 30, 2020: EUR 1,360.0 million). The amount spent on capitalized maintenance was EUR 270.9 million in the 2020 fiscal year (2019: EUR 172.7 million; 2018: EUR 140.7 million) and EUR 208.2 million for the nine-month period ended September 30, 2021 (nine-month period ended September 30, 2020: EUR 164.2 million), which was due, among other things, to investments in improving building security and fire protection, as well as maintenance work carried out as part of modernization projects. See "*8.5.1 Rental segment*" and "*8.6 Real Estate Portfolio and Investments*" for more information.

The following table provides a breakdown of the Group's total costs of maintenance, modernization and new construction for the periods indicated in relation to the Vonovia Portfolio:

	Fiscal year ended December 31,			Nine-month period ended September 30,	
	2020	2019	2018	2021	2020
	(audited, unless otherwise indicated)			*(unaudited)*	
	(EUR in millions)				
Expenses for maintenance	321.1	308.9	289.7	245.3	234.9
Capitalized maintenance(*)	270.9	172.7	140.7	208.2	164.2
Maintenance measures(*)	**592.0**	**481.6**	**430.4**	**453.5**	**399.1**
Modernization measures(*)	908.4	996.5	904.7	547.8	659.7
New construction (to hold)	435.5	493.0	234.3	353.8	301.2
Modernization and new construction measures(*)	**1,343.9**	**1,489.5**	**1,139.0**	**901.6**	**960.9**
Total cost of maintenance, modernization and new construction(*)	**1,935.9**	**1,971.1**	**1,569.4**	**1,355.1**	**1,360.0**

(*) Figures unaudited.

Prior to the Deutsche Wohnen Transaction, the Group intended to invest EUR 1.3 billion to EUR 1.6 billion in the Vonovia Portfolio in the fiscal year 2021, in particular in buildings and apartments allocated to the "Strategic" portfolio as well as in new constructions. Going forward, Vonovia also plans to finance part of the investments with subsidized loans based on the Guidelines for Federal Funding for Efficient Buildings (*Förderrichtlinien zur Bundesförderung für effiziente Gebäude, BEG*) and the rest with cash generated by Vonovia in the course of its business activities.

13.3.4 Overview of the residential portfolio

13.3.4.1 Portfolio broken down by regional markets

The following table provides an overview of the regional distribution of the Vonovia Portfolio's residential portfolio in Germany broken down by regional markets and sorted by fair value as of September 30, 2021:

Portfolio and fair value by regional market

	Portfolio			Fair value		
	Residential units	Lettable area (in thousand sqm)	Vacancy (in %)	(in EUR million)	(in EUR /sq m)	In-place rent multiplier
	(unaudited)					
Berlin	43,496	2,769	1.4	8,371.4	2,922	34.2
Rhine Main Area	27,121	1,732	1.9	5,434.4	3,083	29.4
Southern Ruhr Area	43,035	2,649	3.4	5,107.8	1,899	24.5
Rhineland	28,226	1,875	2.5	4,616.4	2,402	26.4
Dresden	38,467	2,194	3.8	4,564.3	1,991	26.3
Hamburg	19,651	1,242	1.6	3,442.9	2,700	29.7
Kiel	24,254	1,390	2.2	2,849.0	1,995	24.5

Munich	9,690	637	1.1	2,627.0	4,015	38.0
Stuttgart	13,596	853	1.8	2,442.7	2,811	28.3
Hanover	16,131	1,020	2.4	2,287.6	2,201	26.1
Northern Ruhr Area	24,853	1,534	3.1	2,056.4	1,328	18.3
Bremen	11,834	717	3.7	1,453.8	1,976	27.0
Leipzig	9,017	581	3.1	1,184.1	1,933	26.2
Westphalia	9,451	617	2.9	1,135.2	1,818	23.1
Freiburg	4,037	276	1.4	770.3	2,762	28.9
Other Strategic Locations	26,533	1,686	2.9	3,439.9	2,008	23.6
Total Strategic Locations	**349,392**	**21,773**	**2.5**	**51,783.1**	**2,321**	**27.3**
Non-strategic Locations	4,279	305	5.0	604.8	1,726	22.5
Vonovia Germany	**353,671**	**22,078**	**2.6**	**52,388.0**	**2,312**	**27.3**

Rent and rental growth by regional market

	In-place rent*			Rental growth	
	Total (p.a. in EUR million)	**Residential (p.a. in EUR million)**	**Residential (in EUR /sqm)**	**Organic (in %)**	**Market rent forecast valuation (in % p.a.)**
			(unaudited)		
Berlin	245	232	7.08	3.2	1.8
Rhine Main Area	185	178	8.76	3.8	1.8
Southern Ruhr Area	209	203	6.61	4.5	1.5
Rhineland	175	167	7.60	3.6	1.7
Dresden	173	164	6.44	2.5	1.7
Hamburg	116	111	7.59	3.4	1.6
Kiel	116	112	6.83	4.4	1.7
Munich	69	65	8.66	4.1	1.9
Stuttgart	86	84	8.34	3.0	1.8
Hanover	88	84	7.06	3.0	1.7
Northern Ruhr Area	112	109	6.11	2.6	1.3
Bremen	54	51	6.23	3.2	1.8
Leipzig	45	43	6.30	3.8	1.7
Westphalia	49	48	6.66	3.9	1.5
Freiburg	27	26	7.93	4.2	1.7
Other Strategic Locations	146	141	7.20	4.2	1.6
Total Strategic Locations	**1.894**	**1,818**	**7.14**	**3.5**	**1.7**
Non-strategic Locations	27	24	6.91	2.0	1.6
Vonovia Germany	**1,921**	**1,842**	**7.14**	**3.5**	**1.7**

* Shown based on the country-specific definition.

13.3.4.2 Statistical asset profile data for total portfolio

Unit size

The following table shows the apartment size of the residential units in the Vonovia Portfolio as of September 30, 2021:

Size of residential units in sqm	**Number of units**	**% of total number**
	(unaudited)*	
< 40	33,435	8
40 to < 55	97,889	24
55 to < 65	97,151	23
65 to < 75	78,638	19
> 75	106,621	26
Total	**413,734**	**100**

(*) Taken or derived from the Company's accounting records or internal reporting systems, respectively.

The following table shows the apartment size of the residential units in the Deutsche Wohnen Portfolio as of September 30, 2021:

Size of residential units in sqm	**Number of units**	**% of total number**
	(unaudited)*	
< 40	17,615	11
40 to < 55	46,825	30
55 to < 65	35,447	23
65 to < 75	27,112	18
> 75	27,718	18
Total	**154,717**	**100**

(*) Taken or derived from the Deutsche Wohnen's accounting records or internal reporting systems, respectively

Year of construction

As of September 30, 2021, around 68% of the Vonovia Portfolio's residential units were located in buildings constructed between 1950 and 1979. The following table shows the year of construction for the residential units in the Vonovia Portfolio:

Year of construction	**Number of residential units**	**% of total number**
	(unaudited)*	
Before 1919	16,981	4.1
1919 - 1949	42,167	10.2
1950 - 1969	198,189	47.9
1970 - 1979	81,486	19.7
1980 - 1999	67,691	16.4
After 1999	7,220	1.7
Total	**413,734**	**100.0**

As of September 30, 2021, around 42% of the Deutsche Wohnen Portfolio's residential units were located in buildings constructed between 1950 and 1979. The following table shows the year of construction for the residential units in the Deutsche Wohnen Portfolio:

Year of construction	Number of residential units	% of total number
	(unaudited*)	
Before 1919	13,288	8.6
1919 - 1949	46,658	30.2
1950 - 1969	45,396	29.3
1970 - 1979	19,602	12.7
1980 - 1999	28,454	18.4
After 1999	1,319	0.9
Total	**154,171**	**100.0**

Rent-restricted residential units

While all residential units in Sweden and a large number of residential units in Austria are rent-restricted, only a smaller proportion of residential units in Germany are subject to upper rent limits. In Germany, landlords may receive governmental subsidies in the form of low-interest rate loans and direct payments for the construction or refurbishment of residential real estate. Such subsidized residential real estate is subject to statutory occupancy restrictions as well as rent restrictions pursuant to the terms and conditions of public grants. In Germany, there are mainly two requirements applicable to subsidized residential real estate: (i) the tenant occupying the subsidized residential unit must provide a housing eligibility certificate (*Wohnberechtigungsschein*) and (ii) rents are subject to certain upper limits during the statutorily specified funding period (see "*1.6.1 Vonovia's portfolio predominantly comprises residential units in relation to which the Group's ability to increase rents is limited by applicable law and such limitations could be further tightened in the future.*").

As of September 30, 2021, rent-restricted apartments accounted for around 24% of the Vonovia Portfolio. The following table shows the maturity of the restrictions for the Vonovia Portfolio.

Maturing in	2021	2022	2023	2024	2025	2026	2027	2028	2029+ and permanently	Rent restricted in %
	(unaudited*)									
Number of rent-restricted residential units	270	1,591	2,051	3,217	7,045	1,125	7,958	946	74,577**	24

* Taken or derived from the Company's accounting records or internal reporting systems.
** Permanent rent restrictions apply in Sweden and also for the most part in the Group's portfolio in Austria.

As of September 30, 2021, rent-restricted apartments accounted for around 6% of the Deutsche Portfolio. The following table shows the maturity of the restrictions for the Deutsche Wohnen Portfolio.

Maturing in	2021	2022	2023	2024	2025	2026	2027	2028	2029+ and permanently	Rent restricted in %
	(unaudited)*									
Number of rent-restricted residential units	0	157	179	1,386	703	369	1,553	228	4,478	6

* Taken or derived from Deutsche Wohnen's accounting records or internal reporting systems.

13.3.5 Portfolio in the development business

The takeover of the BUWOG Group in 2018 enabled Vonovia to significantly expand its business model by including an established real estate development and new construction business (development business). The subsequent integration of these activities has allowed Vonovia to build on its position as a market leader in Germany and Austria not only in the rental segment, but also in the development business. The integration process expanded Vonovia's pre-existing potential to include extensive product and process expertise in the field of construction and in the development of residential construction projects, creating synergy potential for Vonovia. The BUWOG brand that Vonovia uses to run its development business was also assigned a value in its own right as part of the takeover.

It is under this brand that the development business area has become firmly established in Vienna and Berlin. The first residential construction projects are also being developed in Hamburg and Leipzig, and Vonovia aims to expand the development business to include other urban areas.

By way of example, the takeover of Bien-Ries AG, today operating under the name BUWOG – Rhein-Main Development GmbH, in Hanau expanded Vonovia's development business in Germany to include the Rhine-Main region. As of September 30, 2021, the development pipeline in the Rhine-Main region comprised a total of around 1,900 residential units in cities including Frankfurt am Main, Wiesbaden and Hanau as well as in municipalities in the surroundings of the financial hub of Frankfurt am Main. Following the integration of the company, it is intended to also manage the development business in the Rhine-Main region under the BUWOG brand name.

The following table shows Vonovia's project development measures as of September 30, 2021:

Name	Location	Phase	Residential units	Size (in sqm)	Expected completion
	(unaudited)				
Bayrischer Bahnhof	Leipzig, Germany	In preparation	1,500	115,205	2026
Landgut..................................	Hanau, Germany	Under construction	122	14,050	2021
Pergolenviertel........................	Berlin, Germany	Under construction	95	6,511	2022
Neue Mitte Schönefeld	Berlin, Germany	Under construction	330	24,721	2023
Speicherballett	Berlin, Germany	Under construction/ In preparation	627	53,698	2024
Rivus Vivere...........................	Vienna, Austria	In preparation	296	17,539	2022
Marina Tower	Vienna, Austria	Under construction	511	40,216	2022

Helio Tower...........................	Vienna, Austria	Under construction	401	26,580	2023
Kennedy Garden.....................	Vienna, Austria	Under construction	512	38,299	2022
Inside XIX.............................	Vienna, Austria	Under construction	116	8,395	2022

This provides Vonovia with an end-to-end development platform spanning the entire value chain – from the purchase of land to its development, project planning, construction and sale. With its substantial product pipeline of residential construction projects that are currently being built, planned or prepared, with the BUWOG brand Vonovia ranks among Germany's top five building contractors in Germany and is the leading building contractor in Vienna according to the project developer ranking (a study commissioned by the analytics company Bulwiengesa).

In the development business, Vonovia makes a distinction between Development to hold and Development to sell.

Development to hold

In the nine-month period ended September 30, 2021, the fair value in the Development to hold area amounts to EUR 162.2 million, with EUR 96.5 million attributable to project development in Germany, EUR 44.3 million to project development in Austria, and EUR 21.4 million to project development in Sweden. A total of 786 units were completed in this area, with 506 units in Germany, 126 units in Austria and 154 units in Sweden.

In the 2020 fiscal year, the fair value in the Development to hold area increased by EUR 298.2 million, with EUR 157.1 million attributable to project development in Germany, EUR 127.9 million to project development in Austria, and EUR 13.2 million to project development in Sweden. A total of 1,442 units were completed in this area, with 862 units in Germany, 383 units in Austria and 197 units in Sweden.

As of September 30, 2021, there were 37,582 residential units in the Development to hold pipeline, 3,895 of which related to projects under construction and 4,454 to short-term projects in the preparatory stages. The share attributable to project development in Germany came to 29,943 units (2,634 of which related to projects under construction and 4,377 to short-term projects in the preparatory stages). The share attributable to project development in Austria came to 2,773 units (1,026 of which related to projects under construction and none to short-term projects in the preparatory stages). The share attributable to project development in Sweden came to 4,866 units (235 of which related to projects under construction and 77 to short-term projects in the preparatory stages).

Including medium- and long-term development potential of around 29,233 residential units, the development pipeline comprised a total of around 37,582 residential units as of September 30, 2021.

Development to sell

In the nine-month period ended September 30, 2021, the income from disposal of properties in the Development to sell area came to EUR 328.8 million, with EUR 174.3 million attributable to project development in Germany and EUR 154.5 million to project development in Austria. A total of 580 units were completed in the nine-month period ended September 30, 2021.

In the 2020 fiscal year, the income from disposal of properties in the Development to sell area came to EUR 297.7 million, with EUR 201.0 million attributable to project development in Germany and EUR 96.7 million to project development in Austria. A total of 646 units were completed in 2020.

As of September 30, 2021, there were 9,310 residential units in the Development to sell pipeline, 2,492 of which related to projects under construction and 1,491 to short-term projects in the preparatory stages. The share attributable to project development in Germany came to 6,104 units (1,080 of which related to projects under construction and 1,041 to short-term projects in the preparatory stages), while the share attributable to project development in Austria came to 3,206 units (1,412 of which related to projects under construction and 450 to short-term projects in the preparatory stages).

13.4 Vonovia's Business Operations

Vonovia is an integrated residential real estate company with operations across Europe. Vonovia's strategy is focused on sustainably increasing the value of the company. This is achieved by managing Vonovia's own portfolio with a view to enhancing its value, investing in existing residential properties in order to create value, building new residential buildings and selling individual apartments as well as by engaging in active portfolio management and offering property-related services. For the purposes of its corporate management, Vonovia makes a distinction between four segments: Rental, Value-add, Recurring Sales and Development. Vonovia also reports the Other segment, which is not relevant from a corporate management perspective, in its segment reporting. This includes the sale, only as and when the right opportunities present themselves, of entire buildings or land (*Non-core Disposals*) that are likely to have below-average development potential in terms of rent growth in the medium term and are located in areas that can be described as peripheral compared with Vonovia's overall portfolio and in view of future acquisitions. Ancillary costs (*Betriebskosten*) are also reported under "Other".

13.4.1 The organization of Vonovia's business

The organization of Vonovia's business is characterized by a strong regional presence and central "Shared Services". Using this mix of local and centralized operational structures, Vonovia conducts its business in an efficient, integrated and industrialized manner. While the processes that capture economies of scale can be performed on a centralized basis, processes that require in-depth knowledge of an individual local market or that require personal customer contact are performed through the regional areas. In doing so, the Group capitalizes on its size in order to complement its property rental activities with value-added services to improve customer satisfaction.

The Company performs the function of the management holding company within the Group, is responsible for determining and pursuing the overall strategy and for implementing this strategy by setting the Company's goals. It performs property management, financing, service and coordination tasks for the Group and is responsible for the management, control and monitoring system as well as Vonovia's risk management. The Company is supported in the performance of its management functions, particularly in the commercial and operational areas, by a number of service companies which are grouped centrally in "shared service centers". Bundling corporate functions on a uniform management platform enables Vonovia to achieve harmonization, standardization and economies of scale objectives and allows the portfolio to be managed efficiently and effectively. In addition, this structure provides the basis for the digitalization of Vonovia's process chains. The development business is largely managed via project companies.

Vonovia's core operating rental business in Germany is divided into four business areas following the introduction of a new regional structure as of the third quarter of the 2019 fiscal year. These business areas are split into regional areas, which are in turn split into individual regions. Each region is responsible for an average of around 5,100 local residential units. The level comprising the regional areas acts as an interface between the management and the regional managers responsible for the regional portfolios. This allows Vonovia to respond better to strategic Rental issues on site and to bring the regional managers closer to Vonovia's customers. The caretaker, craftsmen's and residential environment organizations are also based on a regional structure.

Responsibility for the other activities that belong to the Value-add Business (such as product management in the form of metering and energy services) and portfolio management (such as vertical expansion and modernization) is centralized. This also applies to Vonovia's activities relating to sales and acquisitions.

The Development business is also managed centrally for Germany and Austria.

While, as a matter of principle, Vonovia delivers its services locally, it has centralized all tasks that can be performed more cost-efficiently on a national level, *e.g*. the billing of utility and ancillary costs as well as the administrative management of tenancy agreements.

The management of Vonovia's operating business is based on the Company's strategic approaches and is conducted via the Rental, Value-add, Recurring Sales and Development segments. A Group-wide planning and controlling system ensures that resources are efficiently allocated, and their successful use is monitored on a regular basis. Reporting to the chief decision-makers and thus the assessment of business performance as well as the allocation of resources are performed on the basis of this segmentation. Asset and liability items are not reported separately by segment. Internal reporting is based on the IFRS reporting standards in general.

The Management Board as chief decision-makers of Vonovia monitor the contribution made by the segments to the Company's performance on the basis of the segment revenue as well as the adjusted EBITDA.

Vonovia's activities in Austria (since the acquisition of conwert in 2017 and BUWOG in 2018) and in Sweden (since the acquisition of Victoria Park in 2018 and Hembla in 2019) are gradually being integrated. As independent companies in Sweden, Victoria Park and Hembla will be comprehensively integrated into Vonovia, as will conwert and BUWOG. Due to different market nuances and, for example, a different national tenancy law regime, the organizational structure and local processes are adapted to respective Swedish and Austrian needs. Vonovia is continuously expanding the degree of integration of its European companies.

Following the consolidation of Deutsche Wohnen effective as of September 30, 2021, Vonovia and Deutsche Wohnen commenced a process aimed at operationally integrating the businesses. This integration process is expected to last several months, builds on Vonovia's existing organizational structure and processes, also including Vonovia's portfolio classification, and aims to achieve the expected synergies (see "*10.2.2 Synergies*").

13.4.2 Rental

The Rental segment combines all of the business activities that are aimed at the value-enhancing management of Vonovia's own residential real estate. It includes property management activities in Germany, Austria and Sweden. The consolidation of Vonovia's property management activities in Germany, Austria and Sweden to form one single reporting segment is based on the similarities that Vonovia sees in the property management business in these three countries. This applies to the way in which services are provided and the individual service processes that form part of the property management business as well as to the customers in the residential rental market and the type of customer acquisition used. Overall, the residential rental market in all three countries is characterized by a shortage of housing and is regulated by statutory requirements, resulting in return expectations that are similar in the long term.

The Group's business processes are characterized by their high level of industrialization and full integration. In order to illustrate the interplay between asset and property management functions, as well as between central and local units, two core residential processes, rent management and maintenance, are described below by way of example:

Rent management process. Based on their knowledge of local micro-markets and the condition of their apartments, and taking into account current vacancy rates and maintenance requirements, the regional managers periodically update the target rent for new lettings. In accordance with the tenancy legislation and the individual tenancy agreements, thousands of individual rent increase notifications are automatically sent to customers each year. In the past, the majority of these rent increases were accepted without further negotiations. Remaining questions or objections to the rent increases are handled by personnel within the central customer service unit.

Maintenance process. Customers calling the central customer service with regard to required repairs are transferred to the central repair center. For simple repairs, the Company's own craftsmen's organization is commissioned directly, insofar as Vonovia is responsible for the repairs. For expensive or more complex repairs, a local customer service representative reviews the repair needs on site before obtaining approval from the regional manager. Following approval, it is commissioned to Vonovia's own craftsmen's organization.

13.4.2.1 Portfolio management

Portfolio management is responsible for the implementation of investment programs, the rent calculation, the rent development and further portfolio operations. It is based on the close cooperation between the central portfolio management unit and the relevant region. It follows the principle that all tasks that can be performed on a central basis using standardized and scalable procedures should be carried out centrally, by the portfolio management unit, while all tasks that require local knowledge, or that cannot be handled efficiently on a central basis, should be performed locally by regional managers at the level of the region.

Portfolio development. Vonovia considers its portfolio development efforts an important part of its strategy. Vonovia aligns its portfolio development to major social trends such as urbanization and shortage of housing, climate change and energy efficiency as well as demographic trends. All of the Group's major investment programs are designed to respond proactively to these trends and to adapt the products to these needs.

Operational execution of rent management. The operational execution of rent management tasks is handled centrally by the service center. The Group's computer system notifies the service center immediately if the potential to raise rents for residential units arises in accordance with the applicable rent indices (*Mietspiegel*). The realization of economies of scale is achieved, among other things, through the use of standardized contracts, letters and processes.

13.4.2.2 Property management

The property management function includes the tenancy-related administrative functions within the Group. It is steered by highly integrated interdisciplinary processes comprising local and central organizational units. Vonovia's property management function manages the Group's (i) customer services, encompassing the letting process and customer requests management, and (ii) the performance of technical services from an owner's perspective, including the decision-making and coordination of repairs and modernizations as well as environmental, health and safety (***EHS***) compliance.

13.4.2.3 Customer service

(i) Central customer service

The central customer service is divided into four regional business areas, each of which is managed by its own management team. The Group's employees are permanently assigned to one of these four regional business areas (North, East, South and West), mirroring the organizational structure of the property management function.

The central customer service gives the Group's customers the opportunity to contact Vonovia via a low-cost regional phone number, email, chatbot, the Vonovia app, fax or mail. It is the back-office for all customer requests and complaints, *e.g.* contract cancellations, viewing appointments for new tenants, contract management, receipt of repair requests, problems with neighbors and other requests. The customer service is tailored towards the individual customer's needs and uses, among other things, English-, Arabic- and Turkish-speaking telephone operators. Vonovia's tenants can also utilize the online customer service platform, which provides access to contract details and additional functions 24 hours a day and has been in use since 2011. The Group's customer service settles all incoming phone enquiries directly.

(ii) Service center

The service center handles all tasks related to tenancy agreements centrally. It is responsible for all mass processes, including:

- dispatching of utility and ancillary cost bills;
- operational execution of rent management;
- dunning; and
- receivables management.

Vonovia has made various efforts to enhance the transparency of its ancillary costs (*Betriebskosten*) bills. Vonovia aims to reduce ancillary costs (*Betriebskosten*) for its entire real estate portfolio to minimize tenants' overall expenses. To this end, Vonovia negotiated group discounts with leading utility providers for its large customer base.

The Group monitors rent overdue and has established a dunning process including specified dunning letters, outbound calls, SMS, email and on-site visits. Apart from this, the Group contacts defaulting tenants seeking to act in a socially responsible manner. In addition, the Group also provides special counselling to tenants who are facing eviction after falling behind with rent payments.

(iii) Local customer service

Local customer service is managed by the Group's local regions. Rental offices are operated in the regions as contact points for prospective new local customers, which are an important tool for the re-letting of residential units.

Vonovia provides on-site services via its own caretaker organization. This gives Vonovia proximity to its customers and improves the quality of its customer service. Furthermore, the insourcing of services through subsidiaries allows Vonovia to save the value-added tax on all personnel services delivered to its customers.

The Group's caretakers each service approximately 500 units and deal with tenant inquiries and requests which the central customer service is unable to address on the phone. The Group's caretakers are charged with various day-to-day tasks, *e.g.* customer management, small maintenance works and to a certain degree service provider supervision. While there are smaller maintenance problems the caretaker may be able to solve on his own, he forwards more complicated repair work to Vonovia's own craftsmen's organization.

13.4.3 Value-add

The Value-add segment bundles all of the housing-related services that complement Vonovia's core rental business. These services include both the maintenance and modernization work on Vonovia's residential properties and services that are closely related to the rental business. Vonovia allocates the activities relating to the craftsmen's organization and residential environment organization, the condominium administration business, the cable TV business, metering services and energy supplies to the Value-add segment.

The Group's technical services are primarily comprised of four central functions: (i) regional sites for ongoing maintenance and apartment optimizing, (ii) modernization team, (iii) EHS and (iv) new construction. The central functions are complemented by the craftsmen's organization on a local level.

13.4.3.1 Vonovia Technical Service (VTS)

Vonovia Technischer Service Nord GmbH and Vonovia Technischer Service Süd GmbH are responsible for technical services. Approximately 5,000 employees carry out much of the modernization work and are responsible for performing almost all repair and maintenance work, resulting in lower costs. Standardized and innovative processes ensure reliable implementation, which is very important for tenants. Economies of scale also have a major impact on the Group's acquisition strategy.

13.4.3.2 Residential environment organization

A residential environment organization with approximately 1,000 employees, including gardeners, pavers and outdoor architects, is responsible for managing the properties' outdoor spaces, green spaces, playgrounds, and refuse collection points. The residential environment organization improves the nature and quality of residential districts in order to increase the appeal of the apartments for Vonovia's customers and the value of Vonovia's residential properties. In addition, a bundling of the residential environment organization allows Vonovia to achieve cost savings through the centralization and standardization of procurement processes (consumable materials, playgrounds, etc.).

13.4.3.3 Vonovia Immobilien Treuhand GmbH and BUWOG Immobilien Treuhand GmbH (administration for condominium owners' associations)

Vonovia also provides administration services for condominium owners' associations (*Wohnungseigentümergemeinschaften*) through its wholly owned subsidiary Vonovia Immobilien Treuhand GmbH (***VIT***). As the largest condominium administrator in Germany, VIT is responsible for the administration of approximately 58,000 condominiums. As of December 31, 2020, VIT provided services to 1,255 condominium owners' associations with 41,965 residential and commercial units, of which 14,279 residential units were owned by Vonovia. 27,686 units were managed on behalf of third parties.

VIT has also begun to provide services to third-party condominium owners' associations by managing common property in accordance with the German Condominium Act (*Wohnungseigentumsgesetz*) as well as by offering full management service for separate properties. In addition to these services, Vonovia provides its customers with access to nationwide framework agreements with craftsmen and other service providers on special conditions. Furthermore, VIT offers technical building evaluation services to third-party owners.

Like VIT, BUWOG Immobilien Treuhand GmbH provides administration services for condominium owners' associations. The administrators of VIT provide services to around 6,500 condominiums of 150 condominium owners' associations in Germany and a total of around 25,000 rented apartments for corporate customers, institutional investors, family offices and individual customers.

13.4.3.4 Product management/business development

The product management includes the development of new business areas such as multimedia, the use of smart metering systems and energy distribution. The product management evaluates additional service ideas to boost customer satisfaction and adds the corresponding services to Vonovia's offering. The already successfully established products include multimedia services (*e.g.* cable TV and broadband data access) and metering services. At the end of 2020, Vonovia supplied around 300,000 households with a direct cable TV signal and had commissioned the retrofitting of more than 195,000 apartments for radio-based recording of heating costs (so-called *smart submetering*). In addition, services are being expanded to include the fields of energy generation and supply as well as home automation. In the field of energy supplies, *i.e.* the distribution of electricity and gas, around 20,400 private electricity customers were supplied with 27 GWh of electricity and around 2,700 private gas customers with 13.6 GWh of gas at the end of 2020.

13.4.3.5 Vonovia Engineering

In order to create greater added value through the craftsmen's organization, Vonovia Engineering processes strategic and planning-oriented issues for the Technical Service. By performing ongoing development work within the Group with a focus on craft-related and product concept issues as well as digitalization, Vonovia Engineering coordinates the interaction between the client (organization with real estate holdings), technical service and the bundling of procurement services. In the past, bathroom renovations, for example, have taken a lot of time and a lack of craftsmen with specialized plumbing skills have posed major challenges for modernization teams. Vonovia Engineering has therefore developed modular, component-based bathrooms with the highest possible degree of prefabrication so that they can be installed in apartments without the need for skilled workers. Flexible "compensation modules" make it possible to compensate for different room sizes.

13.4.3.6 Craftsmen's organization

Vonovia established a craftsmen's organization in 2011. Since then, the craftsmen's organization has successively taken over the vast majority of the repair and maintenance work formerly carried out by third parties. The craftsmen's organization handles large parts of the "Upgrade Buildings" and "Optimize Apartments" programs.

All repair processes are structured in a paperless way. Customers may sign contracts delivered to the local craftsman by the repair center on the craftsman's tablet PC. Through electronic notification, the central repair center receives the message that the job has been performed and may assign the respective craftsman to his next assignment. The craftsmen do not have their own offices. They are equipped with a corporate van instead. The craftsmen's vans are refilled over night with the necessary materials for the centrally scheduled assignments, which are mailed by the central repair center directly on the craftsman's tablet PC, thus combining elements of the need-synchronous production concept "just in time" and the workflow management method Kanban that is designed to prevent bottlenecks.

The craftsmen's organization was introduced to save costs and to further improve the quality of the Group's customer service. On the cost side, the craftsmen's organization enables Vonovia to save value-added tax on personnel costs and creates full cost transparency for the Group's management. In addition, it helps to realize purchasing advantages through bundling and standardization. Moreover, Vonovia believes that the Group's direct influence on quality and time management also improves customer satisfaction.

The Company indirectly holds a 51% stake in Deutsche TGS GmbH (***TGS***). TGS provides the Group's customers with on-site repair and maintenance services and forms part of the craftsmen's organization.

13.4.3.7 Procurement

As of September 30, 2021, the Vonovia Portfolio includes more than 355,000 apartments in Germany, and a central procurement department of the Group uses the Group's bargaining power to achieve, among other things, economies of scale for the craftsmen's organization in the purchase of maintenance and repair supplies. The Group's procurement department has developed a catalogue with standard prices for products and services needed for performing repairs and maintenance jobs as well as for executing modernization projects. The central procurement department sets the strategy for sourcing each service and material and aims to ensure cost-effective prices and high standards through bundling and industry knowledge.

Furthermore, the Group's procurement department takes advantage of the Group's size by purchasing third-party services centrally and by a group-wide bundling of Vonovia's purchase orders with selected suppliers.

13.4.4 Recurring Sales

The Recurring Sales segment includes the regular and sustainable disposals of individual condominiums from Vonovia's portfolio. The consolidation of Vonovia's sales activities in Germany and Austria to form one single reporting segment is based on the similarities that Vonovia sees in the property management business in these two countries. It does not include the sale of entire buildings or land (Non-core Disposals). These properties are only sold as and when the right opportunities present themselves, meaning that the sales do not form part of the Recurring Sales segment. Vonovia targets profitable growth through selective acquisitions and avails itself of market opportunities to dispose of residential units from its "Recurring Sales" and "Non-core Disposals" portfolios in accordance with its overall portfolio strategy.

Vonovia uses different sales channels for privatizations and sales of Non-core Disposals assets. Depending on the characteristics of the unit earmarked for sale, the targeted sales channels are identified and appropriate marketing measures implemented. The entire contract management for the real estate purchase agreements is handled centrally. A strong focus on mass processes and standardized contract forms enables the sales department to deliver contracts in an efficient manner.

The central functions are supported by the local sales organization. The Group's residential unit sales efforts are mainly run by real estate brokers working under the Vonovia brand with access to the Group's IT platform and latest sales data. Each real estate broker is allocated to a specific portfolio and works on a non-exclusive basis for the Group. The minimum prices for the residential units earmarked for sale are set by the local region based on its local expertise. The real estate brokers receive an incentive fee based on the list price of the residential unit upon the successful completion of a transaction. The incentive fee structure of the brokers is controlled by the sales management team.

13.4.5 Development business

The Development segment combines cross-country development activities and includes the project development of new residential buildings. The business covers the entire value chain starting with the purchase of land without any development plan/dedicated purpose and ending with the completion of new buildings and new construction measures on Vonovia's own properties. These properties are either incorporated into Vonovia's own portfolio or sold to third parties. The Development segment deals with projects in selected attractive locations. Project development work is currently focusing on Berlin, Hamburg, Rhine-Main, Leipzig and Vienna.

The adjusted EBITDA of the Development segment includes the gain on the sale of properties to third parties (to sell), the fair value step-up for properties that were completed in the reporting period and have been added to Vonovia's own portfolio (to hold), as well as the costs incurred in this segment.

The Development segment allocates its projects to two different channels:

- Development to sell includes the units that are sold to investors or to future owner-occupiers directly.

- Development to hold refers to those residential construction projects whose apartments will be added to Vonovia's rental portfolio upon their completion. This area also includes Vonovia's pre-existing new construction business, which involves building new residential units on property that already belongs to the Company using a serial and modular approach for new construction work. It also includes the Swedish new construction projects on the Company's own properties.

The strategy of incorporating process steps into the Company's own value chain allows Vonovia to provide stringent and targeted support to residential construction projects and to exploit cost synergies with regard to technical solutions and the pooling of procurement volumes. Being able to cover the entire residential property value chain internally allows the Company to generate additional earnings contributions.

The risk profile in the Development business evolves along the value chain, and the more comprehensively the value chain is mastered, the better risk and return are balanced.

13.4.6 Acquisitions

According to its business strategy, Vonovia intends to continue to grow its property portfolio via acquisitions of additional property portfolios and real estate companies. Therefore, Vonovia evaluates opportunities to identify suitable targets for its existing property portfolio and specific opportunities for value creation and growth on an ongoing basis. Vonovia's constant analysis of relevant real estate markets may lead to prompt or significant acquisitions of property portfolios and real estate companies in the future.

The Group's acquisition team is dedicated to growing the Group's business through acquisitions. This team analyzes, underwrites, and competes for almost all large as well as select small- to medium-sized deals in Germany, and other selected European markets such as Austria or Sweden. In addition to the expertise available within the corporate functions, particularly Finance, Legal, Tax, Human Resources and Accounting, the acquisition team's analysis and underwriting processes make extensive use of the know-how and local knowledge available within the different regions as well as within the centrally-based tenancy-related administrative functions.

The local region assesses portfolios based on local market information and market trends. As a result of their analysis, target portfolios can be classified into the strategic portfolio categories utilized by portfolio management. The acquisition team aims to expand the existing Vonovia portfolio via medium to large deals and to potentially create new portfolios through the acquisition of large corporations as well as via the takeover of smaller companies and management platforms or residential portfolios. Additionally, the Company considers smaller portfolio purchase opportunities if they could enhance its current portfolio in attractive micro locations.

Acquisitions follow a standardized process. After initial screening, the acquisition team analyzes the offered portfolio in depth for the preparation of indicative offers. Provided an indicative offer is accepted, a binding offer stage is normally initiated involving confirmatory due diligence as well as purchase contract negotiations and final approval by the Management Board and Supervisory Board where necessary.

13.5 Sustainability

13.5.1 Introduction

ESG is in the focus of Vonovia's business and an integral part of its strategy. Vonovia believes that it has a particular responsibility towards its more than one million customers in Germany, Austria and Sweden, but at the same time also towards society, the environment and its shareholders.

Vonovia's business is deeply rooted around the three dimensions of ESG:

- Commitment to support climate protection and reduce CO_2 emissions of Vonovia's buildings;
- Responsibility for customers, society, and employees; and
- Reliable and transparent corporate governance aligned with high standards.

Vonovia has been developing a strategy to take into account sustainability aspects and aligns its business activities with this trend. As a real estate company with a long-term focus, Vonovia aims to strike a balance between commercial activities on the one hand and social responsibility and ecological objectives on the other.

13.5.2 ESG management

From an organizational perspective, sustainability falls within the responsibilities of top management and, in particular, the chief executive officer of the Management Board, Rolf Buch. On the Supervisory Board side, the Audit Committee has a particular responsibility for sustainability.

A new sustainability / strategy department was set-up in the fiscal year 2020 to bundle and drive sustainability activities within the Group. These include further development of the sustainability strategy and roadmap, the definition and monitoring of sustainability objectives and the implementation of sustainability projects. The sustainability / strategy department is responsible for driving initiatives and providing impetus. Its remit includes preparing reports, also in the area of sustainability, and actively processing and participating in ESG ratings. The sustainability / strategy department reports to the chief executive officer of the Management Board.

A sustainability committee, comprising the entire Management Board as well as the heads of the internal departments sustainability, corporate communications, controlling, accounting, investor relations and business innovation, meets three to four times a year to discuss the overall strategic direction and to evaluate the Company's sustainability performance. This ensures the strategic implementation of Vonovia's sustainability strategy in all its business areas. Decisions regarding ESG ratings are made in the sustainability committee. The operational implementation of sustainability aspects is in the responsibility of the relevant departments and regions.

In order to successfully operationalize Vonovia's corporate strategy, Vonovia has expanded its management system to include non-financial performance indicators as of the 2021 fiscal year. Going forward, the SPI will serve as a KPI throughout the Group on an equal footing with financial indicators and the Group targets a sustainable development of such KPI. It consists of six key figures derived from the material topics at Vonovia, and for which specific targets have been defined up to 2024. The key figures are recorded quarterly by Controlling and used in Vonovia's external reporting and for communication with the capital market. The SPI will also be incorporated into the long-term remuneration of Management Board members and senior executives.

13.5.3 ESG material topics

The sustainable development goals (***SDGs***), as published by the United Nations in 2015, serve as the framework for action for sustainable development on a global level. Vonovia's sustainability strategy is geared towards international standards and frameworks such as the SDGs and Vonovia aims to contribute to achieving these goals with its business in Germany, Austria and Sweden. In particular, the following eight key SDGs were identified: gender equality; affordable and clean energy; decent work and economic growth; industry, innovation and infrastructure; sustainable cities and communities; climate action; life on land and partnerships for the goals.

Vonovia has redefined the material topics in 2020 as part of an extensive, testable materiality analysis. The process identified eleven of the 33 selected sustainability topics as being material for Vonovia.

Based on this Vonovia has launched a sustainability roadmap for the structural implementation of its sustainability efforts. The topic of climate change and a climate-neutral portfolio as well as the action areas of social responsibility and governance are of particular importance.

13.5.3.1 Environment issues

(i) Reducing CO_2 in the real estate portfolio

Vonovia is committing to the goal of a climate-neutral building portfolio by 2050. In Vonovia's view, this requires a consistent level of refurbishment and increased, decentralized generation and use of renewable energies for heating and powering neighborhoods. In order to achieve this objective, Vonovia has developed a climate path for the German building portfolio as part of an interdisciplinary collaboration between various functional areas and with the support of the Fraunhofer Institute for Solar Energy Systems (*Fraunhofer ISE*). The climate path includes annual targets for the CO_2 intensity which are integrated in the mid-term planning process as well as in the SPI.

(ii) Renewable energies and energy mix

One major lever for reducing greenhouse gas emissions is the use and expansion of renewable energy sources. Vonovia sees the residential quarters as the linchpin of a decentralized energy turnaround and is pursuing the goal of continuously increasing the use and share of renewable energies. One important starting point is the installation of photovoltaic systems. Going forward, Vonovia aims at expanding the associated generation capacity. Vonovia sees further potential in the development of efficient and self-sufficient neighborhood systems. This includes marketable technologies as well as innovative approaches, such as the sector coupling of heat, electricity and mobility, which Vonovia is developing in cooperation with partners from research, business and society.

(iii) Sustainable new construction and refurbishment

With its new construction activities, Vonovia is creating new living space at fair prices. There are clear Group-wide targets for energy requirements and efficiency standards for all new construction projects. In addition, attention is paid to conserving resources and protecting the environment during the construction phase. Vonovia's holistic approach also takes into account the design of the residential environment as well as the use of e-charging stations and photovoltaic systems. Other measures include the use of modern and innovative new construction methods such as solid wood and wood hybrid construction methods. The average primary energy requirement of new constructions is part of the newly introduced SPI.

13.5.3.2 Social issues

In context of social issues, Vonovia relies on a socially responsible and reliable rent policy as well as the expansion of a social infrastructure incorporating innovations and new technologies as an integral part of community development projects in order to shape urban, ecological and affordable housing in a socially responsible matter.

(i) Community development and contribution to infrastructure

Vonovia offers a home in good neighborhoods, where generations are united. A livable neighborhood strengthens tenant loyalty and the value of the properties. Vonovia focuses on the neighborhood approach in order to shape society and contribute to sustainable urban development. Vonovia's neighborhoods are fundamentally aligned with clear climate protection requirements and social compatibility. This type of neighborhood approach opens up new scope for Vonovia to expand its range of services or test new technologies.

(ii) Living at fair prices

Vonovia assures tenants of long-term, secure housing prospects through fair and transparent prices. In addition to new construction activities, a moderate rent policy is a basic requirement at Vonovia. In addition, two voluntary commitments for the German market have guided Vonovia's rent policy ever since: (i) In the case of modernizations, the apportionment of modernization costs is capped at EUR 2 per sqm. (ii) For people over 70 years, there is also special protection in the event of rent increases. In addition, Vonovia has initiated a hardship management program where individual solutions are worked out with tenants. Vonovia's overriding goal is always to ensure that people remain in their apartments and that housing remains affordable.

(iii) Needs-based housing

Vonovia is preparing for demographic change by consistently focusing on needs-based expansion and renovation and with corresponding market-oriented, customized offers – *e.g.* for people with mobility impairments. In this context, Vonovia examines which measures will have the best possible effect in order to ensure that its tenants remain in their homes. Vonovia builds and designs apartments in such a way that groups with special needs also feel at home with Vonovia. Voluntary further conversions in the form of ramps and handrails for people with disabilities or digital assistance systems supplement the range of services on offer. The proportion of accessible (partially) modernized apartments newly leased is also reflected in the newly introduced SPI. In addition, Vonovia is continuously expanding its range of social services and cooperating in the social infrastructure of the neighborhoods.

(iv) Customer satisfaction and service quality

Customers and their needs are at the heart of Vonovia's business activities. The greatest possible proximity to customers and convenient accessibility are key elements of Vonovia's service philosophy. Vonovia’s customer service is the primary contact for all customers. On-site property managers and Vonovia’s own craftsmen take care of tenants' concerns.

In addition, the digitization of customer concerns allows a more convenient, flexible and faster accessibility. Self-service functions via the customer app are being continuously expanded. Customer satisfaction is a fundamental benchmark for all business processes at Vonovia. Customer satisfaction is expressed in the CSI, the Customer Satisfaction Index, and will be incorporated into the SPI as a direct non-financial performance indicator from the fiscal year 2021 onwards.

13.5.3.3 Employee issues

Vonovia aims at offering its employees an attractive work environment characterized by diversity and personal scope for development.

(i) Appeal as an employer

Vonovia is continuing the growth trend of recent years. Qualified and motivated employees are particularly important in this regard. In this context, Vonovia is aiming for a long-term positioning as an attractive employer for talented and qualified specialists on the labor market. Targeted personnel development via further training measures, talent management, the retention of top performers and systematic succession planning are key elements of human resources management. In addition, Vonovia uses various measures to ensure a good work-life balance, attractive benefits packages and a corporate culture geared towards teamwork. By digitizing its human resources management structures and processes, Vonovia supports its employees' efforts and creates a modern and transparent working environment.

Vonovia's appeal as an employer is measured primarily by employee satisfaction, which is surveyed on a regular basis. In the future, the change in the employee satisfaction score will be introduced as a KPI and incorporated into management remuneration via the SPI.

(ii) Approach to diversity and equal opportunities

Vonovia attaches great importance to offering its workforce an appreciative and team-oriented working environment in which every employee can assume responsibility. The basis for promoting diversity is compliance with (inter)national guidelines, including the Charter of Diversity (*Charta der Vielfalt*) for Germany and Vonovia's strict voluntary commitments. Vonovia's remuneration is based on performance and market-related factors and is independent of gender. In order to emphasize the importance of equal opportunity and diversity across the whole Group, an adjustment was made to the metric "proportion of the under-represented gender" at the first and second management level below the Management Board and now applies to the entire Group. The proportion of women in management positions (first and second level below the Management Board) is now an integral part of the SPI.

13.5.3.4 Corporate governance issues

(i) Governance and compliance

The establishment, implementation and consistent compliance with a transparent and modern system of rules are the goal of the governance efforts. Good compliance management contributes to a sustainable corporate development and value creation and gives customers and partners an even higher level of security with regard to their relationship with Vonovia. By adhering to compliance rules, Vonovia protects the integrity of employees, customers and business partners, and safeguards the Company from negative influences – an indispensable prerequisite for Vonovia to be able to act and be perceived as a reliable and trustworthy partner. Furthermore, Vonovia is committed to the principles of the German Corporate Governance Code, as amended on December 16, 2019, (the ***Code***) through its annual declaration of conformity and follows the principles of the Institute for Corporate Governance of the German Real Estate Industry.

(ii) Appeal on the capital market

As a real estate company with a long-term focus, Vonovia aims to reconcile economic activity with social responsibility and ecological goals. Due to the increasing importance of ESG aspects for the capital market, Vonovia further developed its corporate management along ESG criteria in the course of 2020, both strategically and operationally. In this context, the topic of sustainability was further integrated into the corporate strategy and corresponding structures and processes were established.

Vonovia communicates its activities to stakeholders via a variety of channels. The investor relations (***IR***) department, which acts as a link to the capital market, plays an important role in this context. Via the IR department, Vonovia communicates (pro)actively with capital market participants and provides them with basic information about the Company and its economic development as well as about Vonovia's sustainable orientation.

13.5.4 ESG ratings

Vonovia presents its sustainability performance through mandatory ESG-disclosure, which disclosure is, among others, based on the standards of the Global Reporting Initiative and the UN Global Compact (in addition to further frameworks), and by proactively participating in ESG ratings.

The following table provides and overview of Vonovia's ESG ratings as of the date of their most recent update:

Rating	As of October 5, 2021
Sustainalytics ESG risk rating(1)	6.7
MSCI ESG(2)	A
CDP Climate Change(3)	B-
ISS-oekom(4)	Prime status / C
SAM CSA (S&P Global)(5)	57

(1) Sustainalytics is an independent, innovative provider of responsible investment services. Sustainalytics uses the ESG approach to analyze and evaluate the sustainability performance of companies and countries. In the ESG Company Rating, Vonovia improved from 83 to 85 points. In the ESG Risk Rating, the Company received a score of 6.7 on August 5, 2021, placing the Company in the lowest risk category of "negligible risks". As of the date of this Prospectus, Sustainalytics ranked Vonovia third among the 1,038 real estate companies assessed in a sustainability ranking (21st overall among more than 14,465 companies).

(2) MSCI ESG Research rates companies on a scale from AAA to CCC based on their ESG-related risk exposure and how they handle these risks compared to other companies. The Company was upgraded from BBB to A in the annual ranking for 2019 and maintained this performance in 2020.

(3) The Carbon Disclosure Project (***CDP***) helps companies to measure and manage their environmental performance and the associated opportunities and risks. Vonovia has been part of the CDP's Climate Change Program since 2017. The Company was awarded a B- rating for its performance in 2020. This puts The Company on the same level as its peer group and above the global and European averages.

(4) ISS-oekom analyzes a company's ESG management based on up to 100 criteria, many of which are sector-specific. Vonovia was given prime status for the first time in 2020, indicating that it is outperforming its peers. In September 2021, prime status (C-rating) was confirmed.

(5) The S&P Global Corporate Sustainability Assessment (***CSA***) evaluates the sustainability performance of more than 7,300 international companies. The Company's performance is assessed in 61 industry-specific categories to encourage companies to bring their corporate strategies into line with social and ecological challenges. Vonovia scored 57 out of a possible 100 points in 2020, more than doubling its score for the previous year (23 points).

In addition, Vonovia is included in the "Dow Jones Sustainability Index Europe", the "Dax-50-ESG" and "EURO STOXX 50 ESG" indices.

13.6 Research and Development

Through its Innovation & Business Building (***I&BB***) department, Vonovia is engaged in research and development relating to topics such as climate change, digitalization, urbanization and demographic change, with a particular focus on carbon-neutral neighborhood housing.

Vonovia uses numerous cooperation and research projects relating to the housing industry and renewable energies to find cost-efficient and innovative solutions for energy efficiency and a climate-neutral housing stock. For example, the Innovation Neighborhood in Bochum-Weitmar, a research and development project of I&BB, studied an ecologically and economically efficient energy supply in an urban context. The project combines different technologies in novel and intelligent ways to reduce energy consumption and advance the integration of electricity, district heating and mobility.

To make better use of data, the "Advance Analytics" department was founded within I&BB. It uses algorithms to pursue innovative methods in order to create use cases which make the process of managing the modernization work in the neighborhoods more efficient or improve the response to the needs and wishes of Vonovia's customers through scoring models.

13.7 Employees

13.7.1 Headcount

The following table provides a breakdown of the number of Group employees (excluding the employees of Deutsche Wohnen) in terms of headcount for the 2018 to 2020 fiscal years and the nine-month period from January 1 to September 30, 2021 (in each case as of the end of period and in accordance with the requirements of the German Commercial Code (*Handelsgesetzbuch*)).

	As of September 30,	As of December 31,		
	2021	**2020**	**2019**	**2018**
	(unaudited unless otherwise indicated)			
Germany	9,914	9,774	9,531	9,360
Austria	384	374	351	377
Sweden	510	474	463	186
Total	**10,808****[**]**	**10,622****[*]**	**10,345****[*]**	**9,923****[*]**

* Audited.
** Taken from the Unaudited Condensed Interim Consolidated Financial Statements of the Company for the nine-month period ended September 30, 2021.

The following table provides a breakdown of the number of Deutsche Wohnen employees in terms of average headcount for the 2020 fiscal year and the nine-month period from January 1 to September 30, 2021.

	As of September 30,	As of December 31,
	2021	**2020**
Total[*]	5,709	5,788

* Including board members, managing directors, trainees, temporary staff, parental leave, but excluding foreign workers and vacancies.

13.7.2 Pensions

As of December 31, 2020, Vonovia's pension commitments related to 4,523 employees in total.

As of December 31, 2020, the defined benefit obligation (***DBO***) of Vonovia amounted to EUR 648.1 million. The DBO was calculated using a discount rate of 1.0%. Recognized provisions for pensions and similar obligations after off-setting against the plan assets amounted to EUR 627.8 million as of December 31, 2020.

13.8 Intellectual Property, Trademarks and Domains

Vonovia does not hold any patents and does not depend on intellectual property, patents or license materials for conducting its business. The Group owns various trademarks and figurative marks for Vonovia, BUWOG, Deutsche Wohnen and their subsidiaries.

The Group's most significant domain names are: http://www.Vonovia.com and http://www.Vonovia.de, and the domain names http://www.deutsche-wohnen.de, http://www.buwog.com, http://www.victoriapark.se and http://www.hembla.se are also registered to the Group.

Apart from the intellectual property rights mentioned above, and not taking into consideration the Group's information technology systems, Vonovia holds no significant intellectual property rights.

13.9 Information Technology

Vonovia has an integrated IT platform which assures efficient mass processes. These IT processes are inextricably linked to Vonovia's almost fully automated letting activities.

The Swedish organization has an independent IT property management platform that is not integrated into Vonovia's SAP environment.

The Group's IT department operates, according to Vonovia's estimates, Germany's largest SAP-based real estate information system and the only "SAP Customer Center of Expertise (CCoE)" for real estate worldwide.

The Group's IT system facilitates the integration of other IT systems used by acquired companies.

13.10 Insurance Coverage

Vonovia has taken out various insurances which cover, *inter alia*, the following risks: business and environmental liability coverage, electronic data processing equipment insurance, motor vehicle insurance, employee accident insurance, employee fraud insurance, and property damage and third-party liability insurance that covers damage caused by fire, lightning, explosion, water, storms and hail, and, for most of its properties, other natural hazards including, for example, floods and earthquakes, broken glass and vandalism as well as compulsory property owner's liability insurance.

Vonovia has taken out a directors and officers (***D&O***) insurance for the members of its Management and Supervisory Boards and the corresponding corporate bodies of its significant subsidiaries, with a total coverage of up to EUR 250 million per year and per claim at the date of this Prospectus, with a consortium of 13 insurance companies. The D&O insurance policies provide for the mandatory deductible for all of the Management Board members in line with the respective provisions of the German Stock Corporation Act (*Aktiengesetz*). The D&O insurance policies cover financial losses arising from a breach of duty by Management Board and Supervisory Board members in the performance of their responsibilities.

13.11 Governmental, Legal or Administrative Proceedings

The companies of the Group are regularly involved in legal proceedings resulting from their business operations, both as claimant and as a defendant. In particular, these include disputes under the law of tenancy and sales disputes and, in individual cases, company law disputes (mainly following squeeze-out processes) or labor law disputes, which do not have any significant effects on the Group's business.

Except for the circumstances described below, no company of the Group, is currently or has been involved in any governmental, legal or arbitration proceedings (including any pending or threatened proceedings) during the previous twelve months, which may have, or have had, significant effects on the Company or the Group's financial condition or profitability.

13.12 Material Contracts

13.12.1 Business Combination Agreement

On August 1, 2021, Vonovia and Deutsche Wohnen entered into a business combination agreement, setting forth the joint understanding of the strategic objectives of Vonovia and Deutsche Wohnen regarding the intended future corporate structure, the intended integration process, the procedural steps for, and the fundamental support of, the offer by the management board and the supervisory board of Deutsche Wohnen. For a detailed description of the Business Combination Agreement, see "*10.3 Business Combination Agreement*".

13.12.2 Financing agreement

On August 5, 2021 Vonovia SE, as company and borrower entered into a EUR 20.15 billion syndicated bridge facilities agreement with Bank of America Europe Designated Activity Company, Morgan Stanley Bank AG and Société Générale as arrangers, Bank of America National Association

Frankfurt Branch / Filiale Frankfurt am Main, Morgan Stanley Bank AG and Société Générale as original lenders and Société Générale as agent, which was subsequently cancelled (i) in an amount of EUR 3.15 billion to amount to EUR 17.0 billion due to bond proceeds received by Vonovia and (ii) in an amount of EUR 1.40 billion to amount to EUR 15.6 billion as at November 5, 2021 in the amount of the undrawn facility B commitment (the ***Bridge Facilities Agreement***).

The Bridge Facilities Agreement comprises two term loan facilities (facility A and facility B) each of which may be utilized in euro. As of September 30, 2021, the total commitments under facility A amount to EUR 7.6 billion and the total commitments under facility B amount to EUR 9.4 billion. The total commitment under facility B was subsequently canceled in the amount of EUR 1.4 billion to amount to EUR 8.0 billion effective as of November 5, 2021.

The loans under such facilities may be utilized, inter alia, for financing the cash purchase price payable by the Company for the shares of Deutsche Wohnen, the (re-)financing of market purchases of shares of Deutsche Wohnen, the refinancing of any financial indebtedness of Deutsche Wohnen (or any of its subsidiaries) and the payment of any taxes, costs and/or fees in connection with the aforementioned transactions.

The Bridge Facilities Agreement has an initial termination date which falls on the earlier of 364 days (in case of facility A) or (as the case may be) twelve months (in case of facility B) after the earlier of (i) the date falling six months after the signing date of the Bridge Facilities Agreement, (ii) earlier of the date on which the Company holds 50% or more of the outstanding share capital of Deutsche Wohnen or the first settlement date (the ***Closing Date***) and (iii) the final settlement date. The initial termination date in respect of facility B can be extended two times by a period of six months each at the discretion of the Company.

The loans under each of the facilities bear interest at a floating currency related reference rate plus a margin which periodically increases over time. In each case, the reference rate has a floor of zero so that the full margin remains payable in case of a negative reference rate. In addition, the Bridge Facilities Agreement and the related finance documents provide for various fees and indemnifications in favor of the relevant finance parties.

Furthermore, the Bridge Facilities Agreement contains certain representations, financial covenants, general undertakings, and termination rights. The financial covenants include the obligation of the Company to ensure that (i) the financial liabilities to asset ratio does not exceed 60%, (ii) the secured financial liabilities to asset ratio does not exceed 45%, (iii) the consolidated coverage ratio is at least 1.80:1 on each quarter date and (iv) the total unencumbered assets to unsecured financial liabilities ratio is at least 125% (in each case as further defined and specified therein). The general undertakings include, inter alia, restrictions in relation to mergers, the disposal of assets, the granting of security for financial indebtedness, the incurrence of financial indebtedness on a subsidiary level and the granting of guarantees in respect of financial indebtedness, (where applicable) subject to a catalogue of exceptions and general baskets.

The lenders are entitled to accelerate and terminate the Bridge Facilities Agreement in a number of circumstances including, but not limited to, (i) non-payment under the Bridge Facilities Agreement, (ii) non-compliance with the financial covenants or any other obligations under the Bridge Facilities Agreement, (iii) misrepresentations, (iv) the occurrence of a cross default in relation to financial indebtedness and/or (v) an insolvency/insolvency proceedings in relation to material group members. Certain termination rights are (where applicable) subject to cure periods and material threshold amounts.

Finally, the Bridge Facilities Agreement contains mandatory prepayment provisions pursuant to which Vonovia is obliged to prepay any outstanding loans or (as the case may be) cancel any commitments under the Bridge Facilities Agreement upon the occurrence of a change of control (subject to a thirty days negotiation period) or the receipt of certain net proceeds arising from equity issuances, debt instruments or disposals (in each case subject to various exception and *de minimis* threshold amounts).

14. REGULATORY AND LEGAL ENVIRONMENT

Vonovia's real estate portfolio is subject to numerous laws and regulations relating to its business, primarily in Germany but also in Austria and Sweden. If Vonovia violates such laws and regulations, there is a risk of civil claims for damages, official orders, fines and even criminal sanctions.

The following is a brief overview of selected provisions that are considered relevant or material to the Group's business activities. The overview does not claim to be complete, does not represent a conclusive analysis and cannot replace legal advice in individual cases.

14.1 Germany

Although almost 11% of the Group's properties are located in Sweden and Austria, the Group's property portfolio primarily includes properties in Germany. Restrictions on business activities regarding the Group's German properties result especially from German tenancy law, under which tenants enjoy extensive protection based on social policies, which often override the principle of freedom of contract. This includes, for example, restrictions on determining the rent, allocating ancillary costs as well as maintenance and repair obligations to tenants, implementing modernization measures, terminating lease agreements, and evicting tenants. Apart from German tenancy law, many further legal restrictions concerning the use, alteration, construction, division, purchase and sale of residential properties and buildings exist. Special restrictions may also apply in connection with publicly subsidized housing, management of condominium units and environmental damage. New statutory laws relating to the costs of purchasing and renting residential premises are also relevant, as well as political efforts, especially by the Federal State of Berlin, to expropriate large housing companies.

14.1.1 Legal restrictions on the amount of rent

The benchmark for legal restrictions on rent for residential premises is determined by the local comparative rent (*ortsübliche Vergleichsmiete*). It refers to the rents that have been agreed or adjusted in the past six years in the relevant municipality or in comparable municipalities for renting residential premises comparable, among others, in type, size, equipment, condition, and location. Certain residential lease agreements are not considered for determining the local comparative rent (*ortsübliche Vergleichsmiete*), for example if price restrictions apply because the construction of the relevant premises was publicly subsidized.

Provided that they exist for the relevant municipality, parties and courts regularly rely on rent indexes (*Mietspiegel*) to determine local comparative rents (*ortsübliche Vergleichsmiete*). A rent index is an overview of the local comparative rents (*ortsübliche Vergleichsmiete*), which has been prepared or recognized by the municipality or jointly by the representatives of the stakeholders of landlords and tenants. Rent indexes are considered qualified (*qualifizierter Mietspiegel*) if they have been prepared in accordance with scientific principles. If qualified rent indexes are adjusted to market developments every two years and are newly drawn up every four years, it is legally presumed that a rent determined under the relevant qualified rent index is the local comparative rent (*ortsübliche Vergleichsmiete*). If a rent index is not qualified (*einfacher Mietspiegel*), there is a (rebuttable) indication that the rent determined on its basis accurately reflects the local comparative rent (*ortsübliche Vergleichsmiete*). If the tenant rebuts the indicative effect of the relevant rent index (*einfacher Mietspiegel*) or if there is no applicable (qualified) rent index at all, other means to determine the local comparative rent (*ortsübliche Vergleichsmiete*) must be considered, especially obtaining expert opinions or making references to certain comparable premises. These alternatives are typically more time consuming and costly than relying on rent indexes. In addition, their outcome is often more uncertain.

At the end of June 2021, the German Federal Parliament (*Bundestag*) passed a new law on the reform of rent indexes (*Mietspiegelreformgesetz*) and on October 20, 2021, a new regulation on the procedure and the relevant scientific principles applicable for preparing and adjusting qualified rent indexes (*Mietspiegelverordnung*); both will come into force on July 1, 2022. The law reform's aims include, among others, to strengthen the legal certainty of rent indexes and to ensure that they reflect the local comparative rent (*ortsübliche Vergleichsmiete*) as realistically as possible. If a rent index meets the requirements set out in that regulation, it is legally presumed that the relevant rent index has been prepared in accordance with scientific principles and can therefore be considered qualified. The same applies if the competent authority and the representatives of stakeholders of landlords and tenants have recognised the rent index as qualified. Hence, it will be more difficult in the future to challenge the validity of qualified rent indexes. In addition, the access of the competent authorities to existing data relevant for the preparation of rent indexes is facilitated and landlords and tenants are obligated to provide information on their lease agreements. This aims at improving the quality of the data on the basis of which the rent indexes are prepared. Furthermore, competent authorities are, with certain transitional periods, obligated under the new law to prepare rent indexes for municipalities with more than 50,000 residents. The German Federal Ministry of Justice and Consumer Protection had originally also proposed to extend the binding period of rent indexes. This would have led to an even longer conservation of data from past years to determine current local comparative rents (*ortsübliche Vergleichsmiete*). However, the German Federal Parliament (*Bundestag*) eventually agreed not to extent the binding period of rent indexes.

By virtue of their contractual freedom, the parties are, in principle, free to agree on the amount of rent. However, various legal limitations exist.

On June 1, 2015, a new legislation imposing a rent control (*Mietpreisbremse*) came into force. It was tightened in parts with effect from January 1, 2019 and April 1, 2020 and extended in time until 2025. The following refers to the legislation as applicable to residential lease agreements concluded as of April 1, 2020.

According to the rent control legislation, the governments of the German Federal States are authorised to issue statutory orders designating areas with a tight housing market for a maximum period of five years at a time. These statutory orders must cease to have effect by the end of December 31, 2025 at the latest, justify that the relevant areas are designated as tight housing markets, and indicate which measures the government of the relevant Federal State will take in the period determined by the statutory order to remedy the tight housing market situation. If the relevant premises are located in an area designated as a tight housing market by statutory order, the rent agreed at the beginning of the lease must not exceed the local comparative rent (*ortsübliche Vergleichsmiete*) by more than 10%. For lease agreements which include an indexation clause, the cap only applies to the initial rent. For lease agreements including a stepped rent (*Staffelmiete*) – pre-agreed, fixed rent increases – the limitations apply to every step.

The rent control legislation includes a number of exceptions: (i) If the rent owed by the previous tenant is higher than the rent permitted under the rent control, a rent up to the amount of the previous rent may be agreed. However, rent increases agreed within the last year before terminating the lease agreement with the previous tenant are not taken into account. (ii) If modernization measures were carried out in the last three years before the beginning of the tenancy, the permissible rent is increased insofar as a rent increase would have been permissible on the basis of the modernization. (iii) Furthermore, the restriction on the initial rent does not apply to premises that were used and rented for the first time after October 1, 2014 or that are rented for the first time after extensive modernization which were carried out after that date.

However, the landlord may only rely on one of the exceptions mentioned above if the landlord has informed the tenant of the underlying facts in text form and without being requested to do so before the tenant concluded the lease. It is possible for the landlord to remedy the failure to do so, but the landlord will only be able to rely on the relevant exception again two years after the tenant has received the relevant information.

Irrespective of the landlord's obligation to inform, the rent control legislation does not apply to: (i) Premises for temporary use, and (ii) premises that are part of a student dormitory.

In contrast, the rent control legislation does apply to furnished accommodation, although an appropriate furnishing surcharge can be agreed.

The Free and Hanseatic City of Hamburg has submitted a legislative proposal to the German Federal Council (*Bundesrat*) aiming at preventing landlords from circumventing the rent control legislation in connection with renting out furnished apartments and concluding short-time lease agreements. Landlords shall be obliged to disclose any furniture-surcharge in the relevant lease agreement and the surcharge shall be capped per month at 1% of the current value (*Zeitwert*) the furniture had at the beginning of the lease. In addition, residential premises rented out for temporary use, which are currently excluded from the scope of the rent control legislation, shall be included if the term of the relevant lease is six months or longer. The same shall apply to chains of short-term lease agreements between the same parties.

If a rent is agreed which is in breach of the rent limitation under the rent control, the relevant tenant has a claim against the relevant landlord to pay back the overpaid rent. For lease agreements concluded as from April 2020, this claim includes the entire rent overpaid from the beginning of the tenancy, provided that the tenant notifies the landlord of the breach in text form within the first 30 months of the tenancy and the tenancy had not yet ended when the landlord received the tenant's notification. Under older lease agreements, the claim only includes the overpaid rents that have become due after the landlord received the tenant's complaint.

Since the rent control legislation came into force in 2015, most of the German Federal States have made use of their power to designate tight housing markets. 13 of 16 German Federal States have issued a corresponding ordinance. Only Saarland, Saxony and Saxony-Anhalt have refrained from doing so. Schleswig-Holstein decided not to extend its statutory order. Initially, several of the statutory orders issued by Federal States were quashed by the courts, mostly because the justification for the designation as tight housing market was insufficient or not published. However, new statutory orders have been issued in the meantime.

Apart from the rent control legislation, criminal law restrictions on agreeing on the amount of rent exist. For example, a landlord acts in breach of the law if he intentionally or recklessly demands, allows itself to be promised or accepts unreasonably high charges for the letting of residential premises or related ancillary services. The charges are considered inappropriately high if they exceed the local comparative rent (*ortsübliche Vergleichsmiete*) by more than 20% and were agreed by the tenant because the landlord had exploited a low supply of comparable premises. A violation can be punished with a fine of up to EUR 50,000. Agreeing on a rent that exceeds the local comparative rent (*ortsübliche Vergleichsmiete*) by 50% or more can, if the landlord has exploited the tenant's hardship, also constitute the criminal offence of usury (*Wucher*). This criminal offence can be punished with a prison sentence of up to three years or with a fine, in particularly serious cases also with a prison sentence of up to ten years. In addition to the regulatory and criminal sanctions themselves, a violation of the provisions set out in this paragraph may also entitle the tenant to claim from the landlord overpaid rent.

Subject to the restrictions set out above, landlords are, under certain requirements, entitled to demand rent increases from tenants in ongoing tenancies. (i) Subject to legal (e.g. in connection with subsidies) and contractual restrictions, landlords are entitled to demand tenants to consent to a rent increase up to the local comparative rent (*ortsübliche Vergleichsmiete*) if the rent has been unchanged for 15 months at the time when the increase is to take effect. Increases due to modernisation measures are not considered as a change of rent for these purposes. The request to increase the rent may be asserted at the earliest one year after the last rent increase. The increase of the rent up to the local comparative rent (*ortsübliche Vergleichsmiete*) is limited to a maximum increase of 20% within three years. The governments of the

German Federal States have the power to issue statutory orders designating areas with a tight housing market in which this cap is reduced to 15%. Most of the German Federal States have issued such statutory orders regarding individual municipalities or parts thereof. (ii) If the landlord has carried out certain modernisation measures, the landlord can increase the annual rent by 8% of the costs incurred for the premises (until January 1, 2019, the annual rent could be increased by 11%). Modernisation measures qualify, for example, if the respective measure leads to a sustainable saving of energy or water consumption or if the utility value of the rental object is substantially increased. Rent increases due to modernisation measures are generally not limited to the local comparative rent (*ortsübliche Vergleichsmiete*). However, the monthly rent owed may not increase by more than EUR 3 per sqm of living space within six years, apart from increases up to the local comparative rent (*ortsübliche Vergleichsmiete*) or changes in the ancillary costs. If the monthly rent before the rent increase is less than EUR 7 per sqm, the monthly rent owed may not increase by more than EUR 2 per sqm. Furthermore, exceptions to prevent hardship exist.

On February 23, 2020, a legislation known as the Berlin rent cap (*Mietendeckel*, ***Berlin Rent Freeze Legislation***) came into force in the Federal State of Berlin complementing the rent control legislation already enacted on the federal level. The Berlin Rent Freeze Legislation consisted of two central instruments: a rent freeze and the introduction of upper rent limits. The second stage of the rent cap, according to which rents that are more than 20% above the upper rent limits became prohibited by law, came into force on November 23, 2020. The upper rent limits were in many cases considerably below the rents contractually agreed between the parties. Unlike the federal rent control legislation, the Berlin Rent Freeze Legislation was not only relevant for new lease agreements, but also for existing ones. That meant that landlords could only claim a reduced rent from November 23, 2020 and violations could result in fines. Compared to the federal rent cap, the Berlin Rent Freeze Legislation contained considerably more far-reaching restrictions. In its decision of March 25, 2021 (published on April 15, 2021), the Federal Constitutional Court (*Bundesverfassungsgericht*) declared the Berlin Rent Freeze Legislation unconstitutional and therefore invalid on the basis that the State of Berlin lacked the competence to enact such rent cap legislation (the Federal Constitutional Court (*Bundesverfassungsgericht*) has therefore not yet scrutinized the material compliance of any such legislation with the German Federal Constitution (*Grundgesetz*), in particular the right of ownership). The decision of the Federal Constitutional Court (*Bundesverfassungsgericht*) means in practice that landlords in Berlin might now be able to claim from tenants the difference between the agreed rent and the reduced rent they had paid since November 23, 2020. The Group has refrained from retroactively claiming rents reduced under the Berlin Rent Freeze Legislation in the amount of up to EUR 10 million. It cannot be ruled out that similar legislation may come into force in the future, either at state or federal level.

As a consequence of the decision of the Federal Constitution Court (*Bundesverfassungsgericht*), the Federal State of Berlin has submitted a motion to the German Federal Council (*Bundesrat*) on September 7, 2021 to call upon the federal government to submit a legislative proposal allowing the federal states to introduce their own rent caps.

14.1.2 Legal restrictions on the allocation of ancillary costs

Landlords of residential premises can, in principle, charge tenants with the ancillary costs of the premises by contractual agreement. However, the German legislator has defined and limited such ancillary costs for residential property in the Ancillary Costs Ordinance (*Betriebskostenverordnung*). For example, the costs of water supply, waste disposal, building insurance and the costs of operating heating systems and passenger lifts can be charged. In contrast, the costs of managing the property and the costs of repair and replacement measures cannot be claimed from the tenant as ancillary costs. In addition, there are strict formal requirements for the billing of ancillary costs, for example according to the Heating Costs Ordinance (*Heizkostenverordnung*).

Under the new Telecommunications Modernization Act (*Telekommunikations-modernisierungsgesetz*), costs of TV cable contracts concluded by the landlord may, from July 1, 2024 on, no longer be allocated to the tenants. In contrast, the costs for providing a modern fibre-optic network infrastructure can, subject to certain requirements (among others, a cap and a time limit) be allocated to the tenant.

As part of its Climate Action Programme 2030, the German federal government has introduced a fixed price for carbon dioxide emissions in the transport and real estate sectors as from January 2021 (see above "*1.6.2 The introduction of a CO2 levy in Germany may have a negative effect on the Group.*"). Since January 1, 2021, the CO_2 levy has been charged on oil and natural gas. Currently, this levy can be passed on to the tenant in full. The federal government had initially proposed a new legislation under which landlords would only have been allowed to pass on 50% of the CO_2 levy to the tenant. However, the federal government has decided on June 22, 2021 not to further pursue this proposal.

On August 4, 2021, the federal government adopted legislation to amend the Heating Costs Ordinance (*Heizkostenverordnung*). On November 5, 2021 the German Federal Council (*Bundesrat*) accepted it under the condition that the ordinance is revised after three years. This change will need to be confirmed by the federal government. Material changes of the Heating Costs Ordinance (*Heizkostenverordnung*) would include, among others: Heat cost meters and other metering devices that are installed after the amendment comes into force must be capable of being read remotely; existing meters that are not remotely readable must be replaced by the end of 2026. Newly installed meters must also be interoperable with the systems of other suppliers. In addition, new notification and information obligations are envisaged. For example, building owners in whose properties remotely readable meters are installed must regularly inform the users on consumption and billing; from 2022 on, monthly notifications will be mandatory.

14.1.3 Legal restrictions on the transfer of maintenance and repair obligations and in case of modernization measures

Residential landlords are obliged to maintain and repair the let premises at their own expense. This applies to the load-bearing elements of the building, the façade, the roof, and other parts of the building that are used jointly by the residents of the building. However, it also applies to the interiors of the residential units itself.

A transfer of maintenance and repair obligations to the tenant is only possible within narrow limits. For example, the prevailing view is currently that it can be agreed that the tenant has to bear the costs of minor repairs if the obligation is limited to parts of the rented property that are frequently exposed to the tenant's access and as far as the costs for the respective repair and the expenses incurred by the tenant do not exceed judicially determined threshold values.

Subject to narrow restrictions determined by statutory law and the courts, landlords may also transfer the obligation to perform cosmetic repairs, such as wallpapering and painting the walls in the exclusive leased premises, to the tenant. If this is done within the framework of a standard contract form, the respective contract clauses must, however, meet the strict requirements for the effectiveness of general terms and conditions. There is a tendency in case law to restrict the possibility of passing on cosmetic repairs to the tenant. This can lead to previously unplanned cost burdens for landlords if such agreements are subsequently declared invalid.

According to the Energy Concept 2050, the primary energy demand in the building sector is to be reduced by 80 % (compared to the 2008 level) by 2050. To achieve this goal, the legislation to amend the tenancy law, which came into force on May 1, 2013, stipulates that tenants must tolerate certain modernization measures, for example in the case of energy modernization and modernization measures that significantly reduce water consumption. The landlord must notify the tenant of a modernization measure in writing at least three months before they are carried out. Exceptions of the obligation to tolerate exist, especially in cases of hardship. After receipt of the modernization notice, the tenant may terminate the tenancy extraordinarily.

14.1.4 Legal restrictions for terminating and evicting tenants

Generally, a landlord can only terminate a residential lease if the landlord has a legitimate interest in doing so. A legitimate interest in terminating the tenancy may arise, among others, if (i) the tenant has breached the lease agreement through his or her own fault and not insignificantly, (ii) the landlord can lawfully claim that the landlord, the landlord's family members or household members need the premises to live in them themselves or (iii) the landlord would be prevented from making reasonable economic use of the premises by continuing the tenancy and would thereby suffer substantial disadvantages.

The landlord is precluded from invoking own need and reasonable economic use for a period of three years if condominium ownership was created in rented residential premises after they were handed over to the tenant and the condominium ownership is subsequently sold. This restriction also applies if rented premises are sold to purchasers who subsequently convert the building into condominium units. The governments of the Federal States are empowered to designate areas with a tight housing marked for which they can extend these restrictions for up to ten years after the purchase of the property. Some Federal States have made use of this power. However, an ordinance based on this authorization is currently in force, for example, in Bavaria, Berlin, Hamburg, and North Rhine-Westphalia. In relation to publicly subsidized premises, the restrictions may apply for the duration of the subsidy.

When assessing whether a reasonable economic realization is prevented, the possibility of achieving a higher rent by letting the premises as residential accommodation to someone else shall not be taken into consideration. The landlord may not justify a termination by its intention to sell the rented premises after or in connection with an intended division of the building into condominium units.

Even if the landlord has a legitimate interest in terminating the tenancy, the tenant can object to the termination in case of hardship. Furthermore, the ordinary termination is subject to a notice period. In principle, notice of termination may be given no later than on the third working day of a calendar month with effect to the end of the month after next. For the landlord, however, the notice period is extended by an additional three months each after five and eight years since the premises were handed over to the tenant; for a termination by the tenant, the notice period is not extended.

The hardship provision and the time limit requirement do not apply if the landlord cannot reasonably be expected to continue the tenancy. This may be the case, for example, if the tenant is in arrears with the payment of rent in a period extending over more than two payment dates in an amount equal to the rent for two months. In this case, extraordinary termination without notice may be considered.

However, according to the Act on the Mitigation of the Effects of the Covid-19 Pandemic, which came into force on April 1, 2020, the landlord cannot terminate the tenancy for the sole reason that the tenant did not pay the rent for the period from April 1, 2020 to June 30, 2020 despite it being due, provided that the non-payment is due to the effects of the Covid-19 pandemic. Based on arrears from the period from April 1 to June 30, 2020, the lease can only be terminated again after June 30, 2022, provided that the arrears have not been paid by then. The landlord is still allowed to use the rental security, if the landlord's entitlement to use the rental security has been legally established (*rechtskräftig festgestellt*) or is undisputed or the tenant has agreed to the recourse to the rental security. Whether the landlord has an extraordinary right of termination if the tenant then fails to replenish this rental security within a reasonable period of time has not yet been clarified by the highest court.

If the tenant refuses to vacate and surrender the flat even though the tenancy has been effectively terminated, the landlord can obtain a corresponding enforcement order and, on the basis of this, enforce the eviction and surrender by means of state enforcement bodies. Judges must process eviction actions as a matter of priority. However, the court ruling on the eviction of residential property may grant the tenant a reasonable transitional period for moving out of up to one year. In addition, the landlord must make an advance payment for the costs. Under certain circumstances, he will also have to bear the costs in the end, for example if the tenant is unable to pay.

14.1.5 Other restrictions on the use of residential premises following from public law

Restrictions on the use, alteration, construction, division, purchase and sale of residential properties and buildings may also result from public law.

14.1.5.1 Change of use of residential premises

Especially in large cities, certain bans on the misuse of residential premises have been enacted, which typically forbid: (i) the vacancy of residential premises for a period of time longer than *e.g.* three months, (ii) the alteration of residential premises in a way that makes the further use for residential purposes impossible, (iii) the destruction of residential premises, and (iv) the predominant use of residential premises for professional or commercial purposes. Violations of such bans can constitute administrative offences and result in fines of up to EUR 500,000 in each case. Consequences may also arise for the legal successor of a landlord who had violated the ban.

14.1.5.2 Division into condominium units and privatization

For certain areas in cities such as Munich, Hamburg, Berlin and Frankfurt, regulations have been issued by the relevant municipality to grant milieu protection (*Milieuschutz*), meaning that rented residential premises in those areas may only be converted into condominiums upon prior approval by the competent district authority. This shall ensure that premises for people from all social backgrounds are available for rent in all parts of the city. The authorities are obliged to grant the approval, for example, if the condominium units shall be sold to the current tenants.

On June 23, 2021, a new legislation to mobilize land for residential use (*Baulandmobilisierungsgesetz*) entered into force. Among others, it empowers the Federal States, initially limited until December 31, 2025, to designate areas with a tight housing market in which the conversion of residential properties into condominium units is subject to approval by the authorities. The requirement of approval does not apply if there are not more than five flats in the relevant residential building. The Federal States may deviate from this number and limit or extend the exemption within a range of three to 15 flats. Furthermore, the law provides for a catalogue of exceptions for situations in which a permit must be granted. This is the case, for example, if refusal of permission would be unreasonable, even considering the general welfare, or if the condominium is to be sold to two-thirds of the tenants. Furthermore, permission may only be refused if this is necessary for the adequate supply of the population with rented housing. The Federal States of Berlin and Hamburg have already issued regulations on this basis which apply, in each case, to the entire territory of the relevant Federal State.

14.1.5.3 Other special urban planning areas

Other special urban planning areas exist, such as a reallocation, (re)development, and preservation areas. Some of the Group's properties are located in such areas. Demolition, structural alteration, modernization, change of use, conversion to condominium ownership, conclusion of tenancy agreements with a term of more than one year, sale and encumbrance of such properties with liens and mortgages may require special official approvals. In addition, there may be a maintenance obligation. Furthermore, the owners of such properties may be required to contribute financially to the urban renewal of the area to the extent of the increase in the value of the property through urban renewal. It is an offence to alter or demolish a property in a conservation or urban renewal area without permission. Modernization measures also constitute a change, which may therefore require approval. A violation of the permit requirement can be punished with fines.

14.1.5.4 Monument protection

Some of the Group's properties are registered as historical monuments or are located in the neighborhood of historical monuments. Demolition, structural alteration, change of use and subdivision into condominium units may require special official permits. In addition, the owner must maintain the buildings in a predominantly unaltered condition and inform the competent authority of the intended sale. Violations of monument protection can constitute an administrative offence and can be sanctioned with fines of up to EUR 500,000.

14.1.5.5 Municipality and pre-emption rights

The municipality may have a pre-emptive right to purchase real estate of the Group, for example, if it is located in an area (i) which is designated by the local building plan (*Bebauungsplan*) as an area for public use, (ii) which has been officially designated as a redevelopment area (*Sanierungsgebiet*) or urban development area (*städtebaulicher Entwicklungsbereich*), (iii) which can, according to the local building plan, be predominantly developed with residential buildings, insofar as the relevant property is not developed, or (iv) for which a pre-emptive right statute (*Vorkaufsrechtssatzungen*) exists.

Exceptions may apply, for example, if the property is developed and used in accordance with the local building plan or the aims and purposes of the urban development measure and the development does not show deficiencies (*e.g*. maintenance or modernization backlog).

In addition, the pre-emptive right may only be exercised if this is justified by the public good (*Wohl der Allgemeinheit*), *i.e.* overriding benefits for the general public are sought by the municipality, behind which the conflicting interest of the contracting parties must retreat. Moreover, the exercise must take place within two months after the purchase agreement has been notified to the municipality by the notary.

In principle, the municipality has to pay the same purchase price as the one which was agreed with the purchaser. However, the municipality may also determine the amount to be paid objectively by an expert opinion (*Verkehrswert*) if the agreed purchase price significantly exceeds that value.

As part of the new legislation to mobilize land for residential use (see "*14.1.5.2 Division into condominium units and privatization*"), the municipalities' pre-emptive rights will be considerably extended, especially in order to provide affordable housing. In addition, it will be the rule, not the exception, that, in case the municipality exercises its pre-emption right, it has to pay only the objective value (*Verkehrswert*) of the relevant property as determined by an expert, as opposed to the market value / purchase price as agreed between the contracting parties.

Exercising a pre-emptive right by the municipality requires that a purchase agreement for a property has been concluded. If shares in a company are purchased (so called share deal), no purchase contract is concluded for a property, even if that company holds a property. Therefore, in principle, a share deal does not trigger a pre-emption event, even if the property is the only asset of the company. However, exceptions may apply. In a recent case, the district authority of Berlin-Neukölln has, based on its suspicion that the purchase of shares in a company was structured to circumvent the municipality's pre-emptive right in relation to real estate held by this company, obligated the purchasers to provide it with all underlying transaction documents. The local administrative court of Berlin and the Higher Administrative Court of Berlin-Brandenburg have confirmed the authority's request to hand over the documents. In these decisions, the courts referred to a decision of the Federal Court of Justice (*Bundesgerichtshof*) from 2012, in which the Federal Court of Justice (*Bundesgerichtshof*), on the individual facts of the case, had classified a share deal as a "contractual arrangement similar to a property purchase agreement" and considered the pre-emptive right to be triggered. In this case decided by the Federal Court of Justice (*Bundesgerichtshof*), the obligor had, all on the same day, founded a company, contributed the property which was encumbered with a pre-emptive right in rem to the company entirely controlled by him and free of charge, and then sold the shares in the company to a third party. After reviewing the documents, the district authority qualified the share deal in question as a "transaction similar to a purchase" and exercised the alleged municipality's pre-emptive right in favor of a state-owned housing association in May 2021. The purchasers had rejected to conclude an agreement to protect the tenants of the relevant real estate, which the authority had requested in return for refraining from exercising its alleged pre-emptive right. According to the district authority, the decision to exercise the pre-emptive right is not yet final, *i.e.* the parties to the purchase agreement can still object and potentially also seek court proceedings. As stated in an official answer of the government of the State of Berlin from September 2, 2021, the purchasers have appealed against the district authority's decision to exercise the pre-emptive right. Further details, in particular the exact structure of the share deal and the chances of success of the appeal, are not yet publicly known.

In February 2021, the Berlin Senate introduced a bill to the Federal Council of Germany (*Bundesrat*) that would explicitly extend the municipality's pre-emptive right to share deals nationwide. The bill also provides that all contracting parties and public bodies, such as notaries and courts, can in future be obliged to report share deals to the municipalities. In the event of violations, the municipalities shall be able to impose fines of up to EUR 500,000. In addition, the draft provides for the period for exercising pre-emption rights to be extended from two to four months. Further deliberations within the committees of the German Federal Council (*Bundesrat*) have been postponed indefinitely due to a foreseeable lack of majority in the plenary session.

14.1.5.6 Building Land Mobilization Act

In addition to the approval requirement for dividing properties into condominium units (see "*14.1.5.2 Division into condominium units and privatization*") and the extension of the municipality's pre-emption right (see "*14.1.5.5 Municipality and pre-emption* rights"), other core elements of the new legislation to mobilize land for residential use include, among others, establishing a new area category for urban planning called village residential area (*Dorfgebiet*). With so-called sectoral local building plans (*sektorale Bebauungspläne*), municipalities can designate areas for residential development for a limited period. In addition, they can stipulate that new residential buildings must meet the structural requirements for social housing promotion. Building permits may be issued dependent on compliance with social housing requirements, particularly in relation to rent and occupancy conditions. The legislation also provides for the right of municipalities to oblige property owners to build on vacant land within a certain period of time if there is an urgent need for housing or in areas with a tight housing market. Exceptions are permitted in cases of hardship. Furthermore, the legislation shall make it easier for municipalities to designate building areas in outskirt areas.

14.1.6 Restrictions on publicly subsidized housing

The federal government, the federal states and the municipalities have the task to promote housing construction with subsidies, especially the construction of housing that is affordable and suitable for people with lower incomes. Each federal state can enact its own laws on how to promote social housing. To the extent they have not done so, the federal law applies.

The use of residential properties financed with public subsidies – usually in the form of low-interest building loans – may especially be subject to restrictions on renting and selling.

Regarding renting, there are typically two main restrictions: (i) publicly subsidized housing may only be rented to persons with a certificate of eligibility, and (ii) the rents that may be charged for publicly subsidized housing are limited in amount. For housing projects subsidized until December 31, 2001 (or in exceptional cases until December 31, 2002), the amount of rent is limited by the so-called cost rent. This is the amount required to fully cover current expenses, considering actual financing costs, including public building loans (concept of cost-covering rent). The rent is calculated in each case on the basis of the relevant provisions of the law on cost-covering rent. For funding commitments issued after December 31, 2001, on the other hand, the maximum permissible rent is communicated as part of the funding commitment of the funding provider, which may be based on the market value (concept of maximum permissible rent). Under certain conditions, the respective rent control may change over the course of the funding period, for example if the property is modernized. After repayment of the subsidized loan, the landlord can typically choose his tenants without restrictions. The landlord can also gradually increase the rent up to the local comparative rent (*ortsübliche Vergleichsmiete*) from the first year after repayment of all subsidy loans, but only within the general limits of German tenancy law described above. If the subsidy loans are repaid early, the restrictions can be extended for up to ten years after full repayment, but in no case beyond the original term of the subsidy loans. During this period, the aforementioned restrictions on rent control due to subsidized housing continue to apply.

Regarding the sale of publicly subsidized housing, in some cases the approval of the authority that provided the subsidies is required. Furthermore, if a subsidized residential property is converted into condominium units and sold to the tenant or to third parties, all subsidized loans may have to be repaid.

Housing promotion can also be provided by non-public bodies, especially private companies, *e.g.* through company loans to create housing for employees. Such subsidies typically provide for occupancy rights in favor of the company, especially in cases of loans for the construction of housing or in cases of building cost subsidies.

Due to its nationwide rental activities, the Group’s business is affected by restrictions on publicly subsidized housing at the state and federal level. As of September 30, 2021, around 24,040 housing units being part of the Vonovia Portfolio in Germany fell under the old concept of "cost-covering rent". In addition, 115 of the residential units of the Vonovia Portfolio in Germany as of September 30, 2021 fall under the concept of "maximum allowable rent". These units are subject to occupancy covenants and certain restrictions, including rent increases. Around 5,550 housing units of the Vonovia Portfolio in Germany are subject to contractual restrictions as of September 30, 2021 resulting from public loans and subsidized loans. These restrictions include among others rent restrictions and occupancy restrictions. Some of the Vonovia Portfolio's residential units are subject to more than one restriction. In total, about 29,530 of the Vonovia Portfolio’s units in Germany were subject to restrictions as of September 30, 2021. As of September 30, 2021, approximately 9,050 units of the Deutsche Wohnen Portfolio were subject to restrictions.

14.1.7 Provisions of the German Condominium Act

According to the provisions of the German Condominium Act, every owner of a condominium unit is a member of the respective condominium owners’ association. This association does not deal with the individual residential unit, such as renting it out. Rather, it is responsible for the administration of the building, including the establishment of house rules, the implementation of maintenance measures for the jointly used parts of the building and the preparation of a business plan. In many cases, the management is transferred to an external service provider as manager by contractual agreement. The appointment may be made for a maximum of five years, and in the case of the first appointment after the establishment of condominium ownership, for a maximum of three years. Certain indispensable rights and duties of the administrator, such as the implementation of owner resolutions and maintenance measures, are regulated in the German Condominium Act.

The condominium owners may unanimously agree on common rules which regulate, for example, the internal affairs of the condominium units, the house rules, the management and restrictions on the use of the units. The community rules also apply to legal successors and – except in certain cases of undue hardship – can only be changed with the consent of all owners. In addition, the condominium owners' meeting may pass resolutions by simple majority on all matters delegated to the condominium owners' association. A condominium owners' meeting, in which the condominium owners can pass resolutions on the management of the property, must be convened by the manager at least once a year. The number of votes that each owner can cast is subject to the declaration of division and, if applicable, the community rules. As a rule, voting rights are linked to co-ownership shares. Resolutions of the condominium meeting may be challenged by any member against the community as such before a civil court within one month of the resolution being passed.

A reform of the German Condominium Act came into force on December 1, 2020. It includes, among others, changes to the legal status of the manager and the condominium owners' association and reliefs to make structural changes of the building. For example, the condominium owners receive a legal right to inspect the management documents. In addition, the manager must now submit an annual report to them on the economic situation of the community. Resolutions regarding the implementation or approval of structural changes to the community property can generally be passed with a simple majority; the consent of each condominium owner whose rights are affected is no longer required as of December 1, 2020.

14.1.8 Environmental damage

The Group may be subject to various rules and regulations regarding the remediation of environmental damage and contamination, in particular soil contamination, asbestos, polychlorinated biphenyl, dichlorodiphenyltrichloroethane, pentachlorophenol and lindane. Furthermore, regulations on groundwater protection and the maintenance of wastewater systems that have come into force at federal and state level must be observed. Specified water heating systems are tested for legionella (pathogenic bacteria) at least every three years.

Civil liability for environmental damage and contamination may arise from contractual warranty provisions or from statutory law.

14.1.9 Costs in connection with the acquisition of land

Various costs are incurred in connection with the purchase of the property. In addition to the notary and land registry fees of typically around 1.5% of the purchase price, these include the RETT and, if applicable, costs for the real estate agent and other advisors. Further costs may apply.

When purchasing a property located in Germany, RETT applies which is generally agreed to be borne by the purchaser. RETT is currently 5.0% of the purchase price of the property in Baden-Württemberg, Lower Saxony, Rhineland-Palatinate, Saxony-Anhalt and Bremen, 6.0% in Mecklenburg-Western Pomerania, Berlin and Hesse, 6.5% in Schleswig-Holstein, Brandenburg, North Rhine-Westphalia, Thuringia and Saarland, 4.5% in Hamburg and 3.5% in Saxony and Bavaria.

RETT may also be payable on the acquisition of shares in companies holding real estate. According to the new regulations applicable as from July 1, 2021, this is, in principle, the case if 90% or more of the shares in a company holding real property are acquired directly or indirectly and/or are transferred within 10 years.

In practice, parties often agree that the purchaser has to bear the broker's commission, even if the broker has been commissioned by the seller. Since December 23, 2020, a law has been in force according to which the person who has commissioned the real estate agent must bear at least half of the latter's commission. However, this only applies to the sale of single-family houses and flats, *i.e.* in particular not to the sale of apartment buildings. Moreover, the new law only applies if the buyer is a consumer.

14.1.10 Costs in connection with the rental

According to a legislation which came into force on June 1, 2015, the agent may not demand a commission from a tenant for the brokerage of housing, unless the broker agent was instructed exclusively by the tenant. The principle is that the one who commissions the broker pays the broker.

14.1.11 Expropriation of residential property

The citizens' initiative *Expropriate Deutsche Wohnen and others* is pursuing the goal of having large housing companies in the State of Berlin socialized on the basis of Article 15 of the German Federal Constitution (*Grundgesetz*). A referendum (*Volksentscheid*) took place on October 26, 2021 on whether the Berlin House of Representatives (*Abgeordnetenhaus*) shall pass a resolution requesting the state government of Berlin (*Senat*) to initiate all necessary measures to socialize the portfolios of privately owned housing companies with more than 3,000 flats in the State of Berlin. The final count shows that 59.1% of the persons who took part in the referendum voted yes while 40.9% voted no.

A specific legislative proposal (*Legislativbegehren*) was not part of the referendum. Instead, the referendum aimed at a resolution (*Beschlussbegehren*) requesting the government of the State of Berlin to prepare a corresponding bill. While any such referendum or resolution is not legally binding for the state government of Berlin, they do have a significant political effect.

The Social Democrats (*SPD*) and the Green party (*Die Grünen*) came out as the strongest parties in the elections for the Berlin House of Representatives, which took place on the same day as the referendum. Immediately after the elections, Berlin's SPD frontrunner candidate Franziska Giffey assured a serious examination of the referendum but expressed considerable doubts about the feasibility of socializing large housing companies in Berlin. The Green Party's candidate, Bettina Jarasch, stated that the result of the referendum will be reflected in the upcoming coalition negotiations. After the first round of negotiations between the SPD, the Green party and the Left Party (*Die Linke*) on the formation of a new state government, the political parties agreed that, if they do form a coalition, they will set up an expert commission to examine the options and conditions for implementing a new law that reflects the result of the referendum. Depending on the outcome of this process, it cannot be excluded that a new referendum aiming at the adoption of a specific law on the socialization of large housing companies may be initiated in the future.

Article 15 of the German Federal Constitution (*Grundgesetz*) has never been applied since the German Federal Constitution (*Grundgesetz*) came into force, so the conditions and admissibility of the application are highly uncertain. The Berlin Senate Department for Urban Development and Housing has commissioned three expert opinions in connection with the initiative *Expropriate Deutsche Wohnen and others*. All three conclude that the transfer of real estate companies to public ownership may, in principle, be possible under Article 15 of the German Federal Constitution (*Grundgesetz*). Other renowned experts conclude that such a law would be unconstitutional.

The Berlin state government has estimated that a corresponding law would affect ten or eleven housing companies and around 240,000 flats in Berlin. According to an official cost estimate, the total compensation costs for all properties held by the affected large real estate companies would amount to EUR 28.8 billion to EUR 36 billion.

If a law on the socialization of large housing companies is passed in accordance with the referendum, there is a high probability that it will be challenged in court proceedings. However, it cannot be ruled out that the Group may eventually be forced to transfer all, or parts of its residential property portfolio located in Berlin to the state against the payment of compensations. It is possible that the relevant compensation is significantly below the Group's valuation of the relevant properties. A law on the socialization of large housing companies or a law resulting from similar initiatives in the Countries of

Business might therefore significantly affect Vonovia's valuation. Furthermore, any such laws may result in Vonovia itself becoming the subject of public discussion, which may significantly affect the Group's reputation.

14.2 Austria

Vonovia's real estate portfolio in Austria stems from the takeover of conwert in 2017 and the acquisition of the BUWOG Group in 2018. Until 2001, the BUWOG Group was classified as a non-profit housing association. Therefore, the BUWOG Group's real estate portfolio is subject to different legal regimes and includes properties which are subject to the Austrian Non-Profit Housing Act (*Wohnungsgemeinnützigkeitsgesetz*) and provincial subsidy acts or the Austrian Tenancy Act (*Mietrechtsgesetz*). Also, the assets pertaining to the (former) conwert Group are bound by the provisions of the Austrian Tenancy Act (*Mietrechtsgesetz*). This results in far-reaching restrictions within the framework of the lettability of the Group's properties, such as limitations related to the landlord's right of termination or the determination of the rent.

14.2.1 Restrictions on non-profit housing and subsidized housing

Under the Austrian Non-Profit Housing Act (*Wohnungsgemeinnützigkeitsgesetz*) the principle of cost recovery (*Kostendeckungsprinzip*) needs to be complied with. To cater for such guidelines, in a nutshell, the rent must not exceed an appropriate level which derives from the land and construction costs related to the respective building. Rent agreements violating the aforementioned cost recovery principle are deemed to be null and void. In addition, freedom to dispose of the premises is limited in light of statutory purchase options in favor of the respective tenant (which can be exercised on certain cut-off dates) under the Austrian Non-Profit Housing Act (*Wohnungsgemeinnützigkeitsgesetz*). In this context, the offer price is to be calculated on the basis of the cost recovery principle and does not reflect the actual market value. Moreover, the set of chargeable ancillary costs is limited by the law; thus, several categories of ancillary costs cannot be allocated to the tenant and need to be borne by the landlord. Also, BUWOG Group's business is affected by restrictions on publicly subsidized housing. Since subsidies are not regulated on a nationwide basis, the regional restrictions (*e.g.* on rent level) need to be observed in this context.

14.2.2 Restriction on the letting of rental property

As a general rule, the Austrian Tenancy Act (*Mietrechtsgesetz*) applies to all kinds of commercial and residential rent agreements, unless an exemption clause (as provided for in the Austrian Tenancy Act (*Mietrechtsgesetz*)) applies. Real properties including the assets of the BUWOG Group and the assets pertaining to the (former) conwert Group falling within the scope of the Austrian Tenancy Act (*Mietrechtsgesetz*) are subject to mandatory restrictions to the detriment of the landlord.

The extent of restrictions applying to a specific lease agreement is subject to the scope of application of the Austrian Tenancy Act (*Mietrechtsgesetz*) (*i.e.* "scope of full application of the Austrian Tenancy Act (*Mietrechtsgesetz*)" vs. "scope of partial application of the Austrian Tenancy Act (*Mietrechtsgesetz*)").

Within the scope of full or partial application of the Austrian Tenancy Act (*Mietrechtsgesetz*), any termination by the landlord requires "good cause" in the meaning of the Austrian Tenancy Act (*Mietrechtsgesetz*), such as the default in rental payments despite written notice and a grace period of at least eight days, a material adverse use of the rental property by the tenant or the ultimate assignment of the leased premises to a third party. Further "good causes" can be validly stipulated under certain circumstances.

Residential leases within the scope of full application of the Austrian Tenancy Act (*Mietrechtsgesetz*) are most commonly subject to the reference rent (*Richtwertmietzins*). The reference rent refers to a standard type of lease object (providing for specific parameters) and limits the permitted rent level for specific leased premises by applying appropriate surcharges and deductions. The reference rent (*Richtwertmietzins*) is generally lower than the fair market rent (save for a few western and southern regions of Austria). Moreover, within the scope of full application of the Austrian Tenancy Act (*Mietrechtsgesetz*), restrictions on recoverability of ancillary costs apply. Furthermore, there are maintenance obligations on behalf of the landlord which cannot be waived to the disadvantage of the tenant.

14.3 Sweden

The Land Code of 1970, which incorporated the earlier Tenancy Act of 1968, contains provisions on land and real estate in Sweden. The provisions of the Land Code of 1970 dealing with tenancy law are often referred to as "*hyreslagen*". In addition, the Tenancy Negotiation Act of 1978 regulates the current process of setting rents.

Swedish tenancy law is generally classified as tenant-friendly. For example, under Swedish law, tenants can extend their leases with only a few exceptions and terminate a lease with a period of three months, regardless of the agreed term. In addition, rental courts (*Hyresnämden*) monitor the rent levels and approve rent increases. Since every rent increase basically requires a permit, Vonovia sees all its apartments in Sweden as being subject to rent control.

In general, the rent level in Sweden is much lower than the development costs. This is believed to be due to the Rent Control Act of 1942 and the relatively large proportion of dwellings built between 1942 and 1990, which were subject to strict rent controls. Since rents in all apartments must correspond to rents for alternative, comparable apartments in terms of size and "attractiveness", rents in low-rent townhouses, which are often located within city centers, limit the opportunities for developers to achieve attractive returns for new investments. In order to achieve higher rents, property developers and landlords seek the approval of rent waivers by rental courts or tenant associations in return for the construction of modern apartments.

The Property Acquisition Act of 1982 also opened up the possibility of converting a rented apartment into a housing cooperative apartment under certain conditions.

15. SHAREHOLDER INFORMATION

The Company's share capital as of the date of this Prospectus amounts to EUR 575,257,327.00 divided into 575,257,327 no-par value registered ordinary shares.

On the basis of the notifications received by the Company as of the date of this Prospectus in accordance with the German Securities Trading Act (*Wertpapierhandelsgesetz*) and pursuant to information provided by the respective shareholders, the following shareholders directly or indirectly hold more than 3% of the Company's ordinary shares. The percentage values shown in the table below are based on the amount of voting rights last notified to the Company by the respective shareholder as per the indicated reference date pursuant to Section 33 *et seqq.* of the German Securities Trading Act (*Wertpapierhandelsgesetz*) in relation to the Company's share capital issued as of the date of this Prospectus. It should be noted that the number of voting rights last notified could have changed since such notifications were submitted to the Company without requiring the relevant shareholder to submit a corresponding voting rights notification if no notifiable thresholds have been reached or crossed:

	Actual (direct or indirect) ownership of Vonovia SE (in %)
Shareholders	**Share of voting rights**
Ministry of Finance for the State of Norway (Norges Bank)(1)	11.14
BlackRock Inc.(2)	8.87
JPMorgan Chase & Co.(3)	4.07
Stichting Pensioenfonds ABP(4)	4.04
Total	**28.12**

(1) Based on a notification received from the Ministry of Finance for the State of Norway, which was published on June 25, 2021, the Ministry of Finance for the State of Norway, through Norges Bank, held a notifiable share of the voting rights of Vonovia SE of 10.12% on June 24, 2021, based on a share capital of EUR 575,257,327. On November 21, 2021, Norges Bank notified the Company of its holding of approximately 11.14%.

(2) Based on a notification received from BlackRock, Inc. published on June 15, 2021, BlackRock, Inc. held, through various controlled entities, a notifiable 8.87% of the voting rights of Vonovia SE on June 9, 2021, based on a share capital of EUR 575,257,327 (8.86% of the voting rights are attributed to shares and 0.005% of the voting rights are attributed to instruments pursuant to Section 38(1) German Securities Trading Act (*Wertpapierhandelsgesetz*)).

(3) Based on a notification received from JPMorgan Chase & Co. published on April 28, 2021, JPMorgan Chase & Co. held, through various controlled entities a notifiable share of the voting rights of Vonovia SE of 4.14% on April 23, 2021, based on a share capital of EUR 565,887,299 (2.82% of the voting rights are attributed to shares and 1.32% of the voting rights are attributed to instruments pursuant to Section 38(1) German Securities Trading Act (*Wertpapierhandelsgesetz*)).

(4) Based on a notification received from Stichting Pensioenfonds ABP published on July 2, 2019, Stichting Pensioenfonds ABP, through APG Asset Management N.V., held a notifiable 3.12% of the voting rights of Vonovia SE on June 28, 2019, based on a share capital of EUR 542,273,611. On November 21, 2021, APG Asset Management N.V. notified the Company of its holding of approximately 4.04%.

The indirect and direct shareholdings in the Company thus amount to approximately 28.12% (including voting rights attributable to instruments). Other shareholders, including those shareholders whose shareholdings represent less than 3% of the total voting rights in the Company, hold the remaining 71.88% of the shares of the Company. All of the Company's shares confer the same voting rights.

With the exception of the shareholdings listed above, the Company is not aware of any other shareholders who directly or indirectly hold more than 3% of the ordinary shares in the Company.

The Company is not aware of any agreements, the exercise of which could lead to a change in control of the Company at a later date.

16. GENERAL INFORMATION ON THE COMPANY AND GROUP

16.1 Formation, Incorporation, Registered Corporate Seat, Commercial Name and LEI

The Company is a European company (*Societas Europaea*) under European and German law, with its registered corporate seat in Bochum and registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) in Bochum under registration number HRB 16879. The Company's legal name is "Vonovia SE" and its commercial name is "Vonovia". The Company's LEI is 5299005A2ZEP6AP7KM81.

The Company was formed as a limited liability company (*Gesellschaft mit beschränkter Haftung*) under German law by memorandum of association dated June 17, 1998. Its legal name was "Deutsche Annington Immobilien GmbH" with its registered office in Frankfurt am Main, Germany, registered under number HRB 45366 with the commercial register at the local court (*Amtsgericht*) of Frankfurt am Main, Germany. Its legal form was ultimately changed into a European company (*Societas Europaea – SE*) on June 21, 2012. On April 30, 2015, the shareholders' meeting resolved on a change of the Company's legal name from "Deutsche Annington Immobilien SE" to "Vonovia SE". The change was registered with the commercial register on August 19, 2015.

The registered office and business address of the Company is Universitätsstraße 133, 44803 Bochum, Germany (tel. +49 (0) 234-314-0). The website of the Company is www.vonovia.de. The information on the website does not form part of this Prospectus unless that information is incorporated by reference into this Prospectus.

16.2 History of the Company

Vonovia can trace its roots to the end of the 19th century. Deutsche Annington Immobilien GmbH was officially founded in 1998 but remained dormant until the end of 2000. The Company, then a portfolio company of private equity investor Terra Firma, acquired between 94.1% and 94.9% of the shares in ten regional German Railroad housing companies (*Eisenbahnwohnungsgesellschaften*), which represented approximately 65,000 residential units of the Federal railroad assets (*Bundeseisenbahnvermögen*).

In 2003, the Company acquired an indirect majority interest in BIG-Heimbau AG, Kronshagen/Kiel, Germany, with approximately 10,000 residential units. An additional number of approximately 4,500 residential units were acquired from RWE Systems Immobilien GmbH & Co. KG, Essen, Germany, at the end of 2004.

In 2005, the Company acquired Viterra AG, the largest German housing company at that time with approximately 138,000 residential units. Viterra AG's residential property portfolio can be traced back to the establishment of Urbana in 1895, Veba Immobilien in 1910, and Deutschbau in 1923. This acquisition established the Company, owning approximately 220,000 residential units at that time, as the leading company in the German residential real estate industry in terms of the size of its residential property portfolio and as a major player at the European level.

During 2006, the Company focused on implementing and optimizing the structures acquired and completed its integration of Viterra AG by the end of the year.

In the following years, the Company focused on enhancing its overall efficiency and maintaining its growth, particularly by acquiring a majority shareholding of 94.5% in Prima Wohnbauten Privatisierungs-Management GmbH, owning 4,500 residential units, in 2009, and by acquiring several small residential portfolios, which resulted in a total of 16,500 newly acquired residential units. In addition, sales of certain properties reinforced the focus of the property portfolio in metropolitan areas. In 2011, the Company's residential units located in cities with a population of over 100,000 reached approximately 69%.

This concentration of residential units supported a stable increase in the Company's profits by simplifying services and maintenance.

In July 2013, Terra Firma launched the successful initial public offering of Deutsche Annington Immobilien SE, thereby granting the Company access to new options for equity and debt capital. The Company used such new funds to reduce its debt level and to bring its LTV into the targeted range of 40% to 45%. This created the basis for the Company's sustainable development and growth.

Terra Firma sold its remaining shareholding in the Company of 67.3% in 2014. In November 2013, Deutsche Annington's shares were included in the S-DAX and in the M-DAX in the fall of 2014.

In April 2014, the Company completed the DeWAG acquisition, and implemented the integration of parts of the Vitus Group's real estate business on October 1, 2014. Together, these two transactions involved a combined portfolio of approximately 41,500 units as of December 31, 2013 for an aggregate acquisition price of approximately EUR 2.4 billion. Approximately 9,600 residential units of the residential units acquired in the Vitus Group takeover were subsequently sold to a subsidiary of LEG Immobilien AG on October 9, 2014.

In March 2015, the Company closed the takeover of Gagfah, in which it acquired approximately 94% of the shares in Gagfah for a mixed total consideration consisting of the aggregate payment in kind of 86,839,593 shares in the Company and an aggregate cash payment of approximately EUR 2.1 billion. The transaction included a portfolio of 144,452 residential units, approximately 1,500 commercial units, and approximately 30,000 parking spaces as of December 31, 2014. The Company acquired the outstanding shares of the remaining minority shareholders of Gagfah in June 2017 in connection with a squeeze-out resolution under merger law.

On June 14, 2015, a subsidiary of Vonovia entered into a purchase agreement with a group of investors on the acquisition of 94.3% in the SÜDEWO Group. This transaction was closed on July 8, 2015, taking economic effect as of January 1, 2015. The SÜDEWO Group's real estate portfolio comprised approximately 19,400 residential units, primarily located in Baden-Wuerttemberg. The transaction was financed by means of a capital increase against cash contribution, granting subscription rights to the Company's shareholders.

In September 2015, the Company's Shares were included in the DAX 30.

On September 5, 2016, Vonovia agreed to enter into a business combination agreement with conwert and closed the voluntary takeover offer to all conwert shareholders in April 2017. conwert managed a total of approximately 24,000 residential units at that time, with approximately 20,000 residential units located in Germany and approximately 4,000 residential units located in Austria. The portfolio is mainly located in Berlin with approximately 6,000 units, as well as in Leipzig with approximately 4,500 units, in Vienna with around 2,400 units and in Dresden with approximately 600 units.

On December 18, 2017, Vonovia announced a voluntary takeover offer to the shareholders of the Austrian BUWOG Group. The BUWOG portfolio consists of around 49,000 apartments, of which approximately 27,000 units are located in Germany and approximately 22,000 apartments are located in Austria. The acquisition of more than 90% of the shares in BUWOG was closed in June 2019.

The Company continued its expansion into other European countries with the announcement of a voluntary takeover offer to the shareholders of Victoria Park in Malmö, Sweden, on May 3, 2018. When the call options for an additional 10% of the shares in Victoria Park were exercised on May 15, 2019, a squeeze-out process was initiated, which ended in February 2020 with the acquisition of all outstanding shares in Victoria Park. In addition, Victoria Park's shares were delisted from Nasdaq Stockholm.

On September 23, 2019, the Company announced that it had signed an agreement with funds advised by The Blackstone Group, Inc. on the acquisition of 69.3% of the voting rights and 61.2% of the share capital in Swedish Hembla, whose 21,411 apartments are mainly located in the greater Stockholm area. Following approval by the Swedish merger control authorities, which was granted on November 5, 2019, Vonovia successfully made a mandatory takeover offer to the remaining shareholders, which increased Vonovia's indirect shareholding in Hembla to approximately 95.3% of the voting rights and 94.1% of the share capital. In addition, in December 2019, a squeeze-out process under Swedish law was initiated which was closed in July 2020, following which Hembla's shares were delisted.

On March 3, 2020, Vonovia entered into a purchase agreement with the shareholders of Bien-Ries AG, a project development company with a focus on the Rhine-Main area. The transaction was closed in April 2020. At the time of the acquisition, Bien-Ries AG operated about eleven development projects with a total of approximately 2,500 planned residential units, of which 900 apartments, which at the time of this Prospectus, are still being developed, are planned to be transferred to the Vonovia portfolio after each of their respective completion dates.

In September 2020, the share was included in the EURO STOXX 50.

On May 24, 2021, Vonovia and Deutsche Wohnen entered into a business combination agreement and on June 23, 2021, Vonovia published an original voluntary public takeover offer to all shareholders of Deutsche Wohnen against payment of a cash consideration of EUR 52.00 per Deutsche Wohnen share. On July 26, 2021, Vonovia announced that the required minimum acceptance threshold has not been reached at the expiration of the acceptance period and that, therefore, the original offer has not been successful. On August 5, 2021, BaFin granted Vonovia an exemption from the one-year waiting period pursuant to section 26 paragraph 2 German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) for the submission of a new voluntary takeover offer. On August 23, 2021, Vonovia published a new voluntary public takeover offer to all shareholders of Deutsche Wohnen to acquire all shares in Deutsche Wohnen against payment of a cash consideration of EUR 53.00 per Deutsche Wohnen share. The results of this new voluntary public takeover offer were announced on October 26, 2021. The Deutsche Wohnen Transaction ultimately closed on November 2, 2021. At the date of this Prospectus, Vonovia holds 87.6% of the voting rights in Deutsche Wohnen.

16.3 Business Address, Term, Fiscal Year and Corporate Purpose

The registered office and business address of the Company is Universitätsstraße 133, 44803 Bochum, Germany (tel. +49 (0) 234-314-0). The website of the Company is www.vonovia.de. The information on the website does not form part of this Prospectus unless that information is incorporated by reference into this Prospectus.

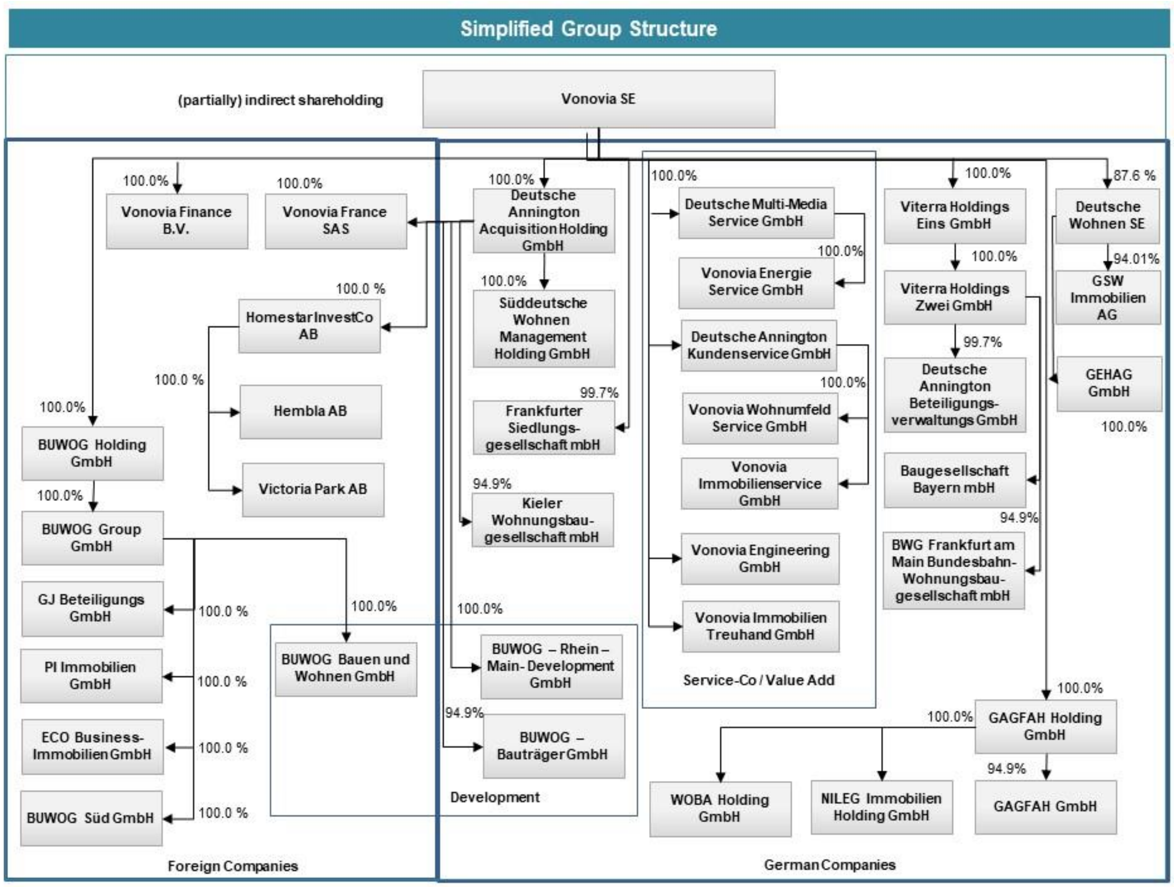
The Company is established for an indefinite period of time. The fiscal year of the Company is the calendar year.

Pursuant to Section 2 of the Company's Articles of Association, the Company's corporate purpose is the conduct of real estate business and any related business of any kind, in particular the acquisition, the administration and the sale of developed and undeveloped properties and rights equivalent to title rights in real estate in Germany and abroad. The Company may also acquire, hold or dispose of shares in German and foreign listed and non-listed companies and partnerships that conduct such activities. To this end, the Company may, in particular, be active in the fields of acquiring, erecting, conducting, supervising, operating and managing buildings in all legal forms and usage types and assume all tasks arising in the fields of operating residential and commercial buildings, of urban development and infrastructure, in particular acquiring, developing improving, redeveloping, encumbering, selling real estate and granting leasehold properties (*Erbbaurechte*). The Company may further be active in the fields of developing and marketing any technical, commercial and other know-how and providing services of any kind in connection with such activities.

16.4 Group Structure

The Company is the holding company of the Group and conducts its business primarily through its relevant subsidiaries. The Group's consolidated financial statements include all significant subsidiaries where Vonovia is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. As of the date of this Prospectus, the group of consolidated companies included 748 subsidiaries, thereof 445 German entities and 303 entities incorporated outside of Germany.

The following diagram provides an overview (in simplified form) of the Company's significant subsidiaries with its regional allocation as of the date of the Prospectus taking into account the relevant successive interests (*durchgerechneter Beteiligungsanteil*). The shareholdings presented below are rounded to one decimal point.



16.5 Significant Subsidiaries

The following table provides an overview of the Company's significant subsidiaries as of the date of this Prospectus, according to Section 285(11) of the German Commercial Code (*Handelsgesetzbuch*). Unless otherwise indicated, the figures are those of the last available unconsolidated annual financial statements of the Company as of December 31, 2020. The shareholdings reflect the Group's direct and indirect economic interest in each entity. This means that shares held by the relevant company itself are not taken into account when calculating the percentage of participation. The interests shown below are rounded to two decimal places.

Company	Company domicile	Interest (%)	Equity (EUR in thousand)	Net income / loss for the year (EUR in thousand)(*)
Deutsche Wohnen SE(1)	Berlin, Germany	87.6(2)	2,432,597(3)	(76,741)(3)
Deutsche Annington Acquisition Holding GmbH	Düsseldorf, Germany	100.00	7,975.568	0
GAGFAH GmbH	Bochum, Germany	94.90	2.691.295	(65,969)
Viterra Holdings Eins GmbH	Düsseldorf, Germany	100.00	1,919,913	0
Viterra Holdings Zwei GmbH	Düsseldorf, Germany	100.00	1,877,487	(4,500)
BUWOG Beteiligungs GmbH	Vienna, Austria	100.00	1,863,167	(9)
GAGFAH Holding GmbH	Bochum, Germany	100.00	1,639,955	0
Deutsche Annington Beteiligungsverwaltungs GmbH	Düsseldorf, Germany	100.00	1,425,201	18,432
BUWOG Group GmbH	Vienna, Austria	100.00	1,393,017	(8,174)
GENA SECHS Immobilienholding GmbH	Vienna, Austria	100.00	957,424	(14)
WOBA HOLDING GMBH	Dresden, Germany	100.00	675,332	(3,138)
BUWOG - Bauen und Wohnen Gesellschaft mbH	Vienna, Austria	100.00	631,770	131,280
NILEG Immobilien Holding GmbH	Hanover, Germany	100.00	565,051	(1,621)
BUWOG Holding GmbH	Vienna, Austria	100.00	544,142	(24,787)
Süddeutsche Wohnen Management Holding GmbH	Stuttgart, Germany	100.00	515,385	0
Frankfurter Siedlungsgesellschaft mbH (FSG)	Düsseldorf, Germany	100.00	431,691	0
Hembla AB	Stockholm, Sweden	100.00	407,178	(4,485)
GENA ZWEI Immobilienholding GmbH	Vienna, Austria	100.00	403,175	(45)
WOBA DRESDEN GMBH	Dresden, Germany	100.00	370,756	0
PI Immobilien GmbH	Vienna, Austria	100.00	249,636	2,425
ECO Business-Immobilien GmbH	Vienna, Austria	100.00	217,004	335
HomeStar InvestCo AB	Stockholm, Sweden	100.00	212,528	(11)
SÜDOST WOBA DRESDEN GMBH	Dresden, Germany	94.90	212,427	0
Wohnungsgesellschaft Norden mit beschränkter Haftung	Hanover, Germany	94.88	211,948	(7.213)
Wohnungsbau Niedersachsen Gesellschaft mit beschränkter Haftung	Hanover, Germany	94.85	206,775	(9.676)
WOHNBAU NORDWEST GmbH	Dresden, Germany	94.90	175,751	0
NILEG Norddeutsche Immobiliengesellschaft mbH	Hanover, Germany	94.86	158,125	0
Süddeutsche Wohnen GmbH	Stuttgart, Germany	94.33	155,528	0
Baugesellschaft Bayern mbH	Munich, Germany	94.90	154,826	8,309

Company	Company domicile	Interest (%)	Equity (EUR in thousand)	Net income / loss for the year (EUR in thousand)(*)
Eisenbahn-Wohnungsbaugesellschaft Köln mbH	Cologne, Germany	94.90	149,364	6,056
Deutsche Annington Holdings Zwei GmbH	Düsseldorf, Germany	100.00	138,847	0
MIRA Grundstücksgesellschaft mbH	Düsseldorf, Germany	94.90	135,152	0
Kieler Wohnungsbaugesellschaft mit beschränkter Haftung	Kiel, Germany	94.90	131,482	0
Victoria Park Ostbrickan AB	Malmö, Sweden	100.00	130,991	(1,120)
BUWOG Süd GmbH	Villach, Austria	99.98	124,488	16,980
Hyresbostäder i Sverige II AB	Stockholm, Sweden	100.00	120,799	24,841
Holmiensis Bostäder AB	Stockholm, Sweden	100.00	115,347	4,174
CWG Beteiligungs GmbH	Vienna, Austria	100.00	109,483	(5)
Eisenbahn-Wohnungsbau-Gesellschaft Karlsruhe GmbH	Karlsruhe, Germany	94.90	103,168	2,496
DA DMB Netherlands B.V.	Eindhoven, the Netherlands	100.00	97,007	19,418
GBH Acquisition GmbH	Bochum, Germany	94.80	94,190	339

(*) Figures unaudited.
(1) Given the timing of the Deutsche Wohnen Transaction, Deutsche Wohnen is not reflected in the unconsolidated annual financial statements of the Company as of December 31, 2020.
(2) As of the date of this Prospectus.
(3) Figures according to the unconsolidated annual financial statements of Deutsche Wohnen as of December 31, 2020.

16.6 Ratings

Standard & Poor’s has assigned the long-term credit rating "BBB+"[1] (outlook stable) to the Company. Scope Ratings GmbH (***Scope***) has assigned the long-term credit rating "A-"[2] (outlook stable) to the Company. Moody’s Deutschland GmbH (***Moody’s***) has assigned the long-term credit rating "A3"[3] (outlook stable) to the Company.

[1] Standard & Poor’s defines "BBB" as follows: "An obligor rated 'BBB' has an adequate capacity to meet financial commitments, but more subject to adverse economic conditions. The ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or (-) sign to show relative standing within the major rating categories."

[2] Scope defines "A" as follows: "Ratings at the A level reflect an opinion of strong credit quality. Rating categories defined by Scope rank from 'AAA' (highest category) to 'D' (default), with '+' and '-' as additional sub-categories for each category from AA to B (inclusive)."

[3] Moody’s defines "A3" as follows: "Obligations rated A are judged to be upper-medium grade and are subject to low credit risk. Moody’s appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category."

Standard & Poor's, Scope and Moody's are established in the European Community and are registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of September 16, 2009 on credit rating agencies, as amended (the ***CRA Regulation***)[4].

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating agency.

16.7 Auditors

The auditor of the Company's annual and consolidated financial statements for the 2020, 2019 and 2018 fiscal years was KPMG AG Wirtschaftsprüfungsgesellschaft, Tersteegenstr. 19-23, 40474 Düsseldorf, Germany. The annual financial statements according to German Commercial Code (*Handelsgesetzbuch*), as well as the consolidated financial statements of the Company according to IFRS for the 2020, 2019 and 2018 fiscal years, were audited by KPMG and each provided with an unqualified auditor's opinion. KPMG is a member of the German Chamber of Auditors (*Wirtschaftsprüferkammer*).

16.8 Notifications, Paying Agent and Designated Sponsor

Pursuant to the Articles of Association, the Company's notices are published in the German Federal Gazette (*Bundesanzeiger*), unless where another mandatory form of notice is required by law. Notices to Vonovia's shareholders may also be communicated by data transmission. Notices regarding the Shares are also published in the German Federal Gazette (*Bundesanzeiger*).

Notices in connection with the approval of this Prospectus or any supplements thereto will be published in accordance with the Prospectus Regulation, in the manner of publication provided for in this Prospectus, that is, through publication on the internet website of Vonovia (www.vonovia.de).

Deutsche Bank AG, Taunusanlage 12, 60325 Frankfurt am Main, Germany, LEI: 7LTWFZYICNSX8D621K86, is the paying agent for the Shares. The mailing address of the paying agent is: Taunusanlage 12, 60262 Frankfurt am Main, Germany.

J.P. Morgan Securities plc and Morgan Stanley & CO. International plc have been appointed as designated sponsors for the Shares of the Company. The designated sponsors, among other things, place limited buy and sell orders, if need be, for the Company's Shares and thereby achieve greater liquidity in the market for the shares.

[4] The ESMA publishes on its website (https://www.esma.europa.eu/supervision/credit-rating-agencies/risk) a list of credit rating agencies registered in accordance with the CRA Regulation. That list is updated within five working days following the adoption of a decision under Article 16, 17 or 20 CRA Regulation. The European Commission shall publish that updated list in the Official Journal of the European Union within 30 days following such update.

17. SHARE CAPITAL OF THE COMPANY AND APPLICABLE REGULATIONS

17.1 Current Share Capital and Shares

As of the date of this Prospectus, the share capital of the Company amounts to EUR 575,257,327 and is divided into 575,257,327 no-par value registered ordinary shares, each such share representing a notional value of EUR 1.00. The share capital has been fully paid up. The Company's shares were created pursuant to the laws of Germany.

The shares of the Company are denominated in Euros.

Each share of the Company carries one vote at the shareholders' meeting of the Company. There are no restrictions on voting rights and the shares carry full dividend rights.

For information on the Company's existing shareholders, see "*15 Shareholder Information*".

17.2 Development of the Share Capital

The Company's share capital has developed as follows between January 1, 2018 and the date of this Prospectus:

On May 3, 2018, the Management Board, with the consent of the Finance Committee (as defined in section "*18.3.2 Supervisory Board committees*") of the Supervisory Board, to which the Supervisory Board delegated its authority to consent to the specific resolution, resolved to increase the share capital of the Company from EUR 485,100,826.00 by EUR 26,000,000.00 to EUR 511,100,826.00 against contributions in cash by using the Company's authorized capital through the issuance of 26,000,000 new no-par value registered ordinary shares, each representing a notional value of EUR 1.00 of the Company's share capital and with full dividend rights starting from January 1, 2018. The subscription price was EUR 38.30 per share. The shareholders' subscription rights were excluded. The capital increase was registered with the commercial register on May 11, 2018.

By resolutions on May 9, 2018 and June 4, 2018, the Management Board, with the consent of the Supervisory Board on May 9, 2018 and the Finance Committee (to which the Supervisory Board delegated this authority) of June 4, 2018, resolved to increase the share capital of the Company from EUR 511,100,826.00 by EUR 6,977,108.00 to EUR 518,077,934.00 against contribution of 198,149,867.20 dividend receivables with a nominal amount of EUR 1.32 each, by using the Company's authorized capital through the issuance of 6,977,108 new no-par value registered ordinary shares, each representing a notional value of EUR 1.00 of the Company's share capital and with full dividend rights starting from January 1, 2018 and with subscription rights for existing shareholders. The subscription price was EUR 37.488 per share. The capital increase was registered with the commercial register on June 12, 2018.

On May 13, 2019, the Management Board, with the consent of the Finance Committee (to which the Supervisory Board delegated this authority), resolved to increase the share capital of the Company from EUR 518,077,934.00 by EUR 16,500,000.00 to EUR 534,577,934.00 against contributions in cash, by using the Company's authorized capital through the issuance of 16,500,000 new no-par value registered ordinary shares, each representing a notional value of EUR 1.00 of the Company's share capital and with full dividend rights starting from January 1, 2019. The subscription price was EUR 45.10 per share. The shareholders' subscription rights were excluded. The capital increase was registered with the commercial register on May 16, 2019.

By resolutions on May 15, 2019, May 31, 2019 and June 7, 2019, the Management Board, with the consent of the Supervisory Board dated May 15, 2019 and the Finance Committee (to which the Supervisory Board delegated this authority) dated June 7, 2019, resolved to increase the share capital of the

Company from EUR 534,577,934.00 by EUR 7,695,677.00 to EUR 542,273,611.00 against contribution of 237,026,851.60 dividend receivables, each with a nominal amount of EUR 1.44, by using the Company's authorized capital through the issuance of 7,695,677 new no-par value registered ordinary shares, each representing a notional value of EUR 1.00 of the Company's share capital and with full dividend rights starting from January 1, 2019 and with subscription rights for existing shareholders. The subscription price was EUR 44.352 per share. The capital increase was registered with the commercial register on June 13, 2019.

By resolutions of June 24, 2020, July 17, 2020 and July 24, 2020, the Management Board, with the consent of the Supervisory Board of June 30, 2020 and the Finance Committee (to which the Supervisory Board delegated this authority) of July 24, 2020, resolved to increase the share capital of the Company from EUR 542,273,611.00 by EUR 6,613,688 to EUR 548,887,299 against contribution of 220,897,179.20 dividend receivables, each with a nominal amount of EUR 1.57. The capital increase was performed out of the Company's authorized capital through the issuance of 6,613,688 new no-par value registered ordinary shares, each representing a notional value of EUR 1.00 of the Company's share capital and with full dividend rights starting from January 1, 2020 and with subscription rights for existing shareholders. The subscription price was EUR 52.438 per share. The capital increase was registered with the commercial register on July 28, 2020.

By resolutions of September 3, 2020, the Management Board, with the consent of the Finance Committee of the Supervisory Board (to which the Supervisory Board delegated this authority), resolved to increase the share capital of the Company from EUR 548,887,299.00 by EUR 17,000,000.00 to EUR 565,887,299.00. The capital increase was performed out of the authorized capital of the Company through the issuance of 17,000,000 new no-par value registered ordinary shares, each representing a notional value of EUR 1.00 of the Company's share capital and with full dividend rights starting from January 1, 2020. The 17,000,000 new no-par value registered ordinary shares were placed in a private placement with institutional investors by means of an accelerated book building process. The subscription price was EUR 59.00 per share. The shareholders' subscription rights were excluded. The capital increase was registered with the commercial register on September 8, 2020.

By resolutions of April 15, 2021, May 7, 2021 and May 14, 2021, the Management Board, with the consent of the Finance Committee (to which the Supervisory Board delegated this authority) of April 16, 2021 and May 4, 2021, resolved to increase the share capital of the Company from EUR 565,887,299.00 by EUR 9,370,028.00 to EUR 575,257,327.00 against contribution of 278,289,831.60 dividend receivables with a nominal amount of EUR 1.69 each. The capital increase was performed out of the authorized capital of the Company through the issuance of 9,370,028 new no-par value registered ordinary shares, each representing a notional value of EUR 1.00 of the Company's share capital and with full dividend rights starting from January 1, 2021 and with subscription rights for existing shareholders. The subscription price was EUR 50.193 per share. The capital increase was registered with the commercial register on May 17, 2021 in the commercial register.

17.3 Authorized Capital

By resolution of the Company's shareholders' meeting held on May 9, 2018, the Company's shareholders authorized the Management Board until May 8, 2023, subject to the consent of the Supervisory Board, to increase the Company's share capital by up to EUR 242,550,413.00 through the issuance of up to 242,550,413 new no-par value registered ordinary shares against contributions in cash and/or in kind once or in several instances. After the partial use of this authorized capital in May and June 2019, September 2020 and May 2021, the Management Board remained authorized under the above authorization, with the consent of the Supervisory Board, to increase the share capital by a total amount of up to EUR 185,371,020.00 once or in several instances through the issuance of up to 185,371,020 new no-par value registered ordinary shares against contributions in cash and/or in kind (***Authorized Capital 2018***).

The Company's shareholders' meeting resolved on April 16, 2021 to suspend the Authorized Capital 2018 with the simultaneous creation of new authorized capital, by authorizing the Management Board until April 15, 2026, subject to the consent of the Supervisory Board, to increase the Company's share capital by up to EUR 282,943,649.00 through the issuance of up to 282,943,649 new no-par value registered ordinary shares against contributions in cash and/or in kind once or in several instances (***Authorized Capital 2021***). The suspension of the Authorized Capital 2018 and the creation of the Authorized Capital 2021 was registered with the commercial register on June 10, 2021.

As of the date of this Prospectus, pursuant to Article 5 of the Company's Articles of Association in conjunction with Article 5 of the SE Regulation in conjunction with Sections 202 *et seq.* of the German Stock Corporation Act (*Aktiengesetz*), the Company has an authorized capital (the Authorized Capital 2021) in a total amount of EUR 282,943,649.00.

17.4 Conditional Capital

On May 9, 2018, the Company's shareholders' meeting resolved to create conditional capital pursuant to Article 5 of the SE Regulation in conjunction with Section 192 of the German Stock Corporation Act (*Aktiengesetz*) (***Conditional Capital 2018***). Article 6 of the Articles of Association provides that the share capital of the Company is conditionally increased by up to EUR 242,550,413.00, divided into up to 242,550,413 new shares. The new shares issued due to the exercise of conversion or option rights or the fulfilment of conversion or option obligations are entitled to dividends from the beginning of the fiscal year in which they are issued. Notwithstanding the foregoing, the Management Board may, if legally permissible and with the consent of the Supervisory Board, determine that the new shares shall carry dividend rights from the beginning of the fiscal year for which, at the time of the exercise of the conversion or option rights or the fulfilment of conversion or option obligations, no resolution of the Company's shareholders' meeting on the appropriation of the balance sheet profit has been adopted. The conditional capital increase shall only be performed to the extent that the holders or creditors of bonds issued or guaranteed by the Company or dependent companies or companies in which the Company directly or indirectly holds a majority interest on the basis of the authorization resolution of the Company's shareholders' meeting of May 9, 2018 (***WSV Authorization 2018***) exercise their conversion or option rights or fulfil their conversion or option obligations arising from such bonds or to the extent that the Company grants shares in the Company instead of payment of the amount of money due and to the extent that the conversion or option rights or conversion or option obligations are not serviced by treasury shares, by shares from authorized capital or by other benefits.

The Company's shareholders' meeting resolved on April 16, 2021, to suspend the Conditional Capital 2018 and the WSV Authorization 2018 with the simultaneous creation of a new conditional capital (***Conditional Capital 2021***) and a new authorization to issue convertible bonds and similar instruments (***WSV Authorization 2021***). The suspension of the Conditional Capital 2018 and the suspension of the WSV Authorization 2018 as well as the creation of the Conditional Capital 2021 and the creation of the WSV Authorization 2021 were registered with the commercial register on June 10, 2021.

The Conditional Capital 2021 was created pursuant to Article 5 of the SE Regulation in conjunction with Section 192 of the German Stock Corporation Act (*Aktiengesetz*). Article 6 of the Articles of Association provides that the share capital of the Company is conditionally increased by up to EUR 282,943,649.00, divided into up to 282,943,649 new shares. The new shares issued due to the exercise of conversion or option rights or the fulfilment of conversion or option obligations are entitled to dividends from the beginning of the fiscal year in which they are issued. Notwithstanding the foregoing, the Management Board may, if legally permissible and with the consent of the Supervisory Board, determine that the new shares shall carry dividend rights from the beginning of the fiscal year for which, at the time of the exercise of the conversion or option rights or the fulfilment of conversion or option obligations, no resolution of the Company's shareholders' meeting on the appropriation of the balance sheet profit has been adopted. The conditional capital increase shall only be performed to the extent that the holders or creditors of bonds issued or guaranteed by the Company or dependent companies or companies in which the Company directly or indirectly holds a majority interest on the basis of the WSV Authorization 2021 exercise their conversion or option rights or fulfil their conversion or option obligations arising from such bonds or to the extent that the Company grants shares in the Company instead of payment of the amount of money due and to the extent that the conversion or option rights or conversion or option obligations are not serviced by treasury shares, by shares from authorized capital or by other benefits.

17.5 Purchase of Own Shares

As of the date of the Prospectus, neither the Company nor a third party on behalf of the Company currently holds any of the Company's own shares.

On May 9, 2018, the Company's shareholders' meeting authorized the Management Board, until May 8, 2023, provided the principle of equal treatment of shareholders is complied with, to purchase the Company's own shares, up to a total of 10% of the Company's share capital outstanding at the time of the resolution, including the share capital previously held by the Company or attributed to the Company pursuant to Article 5 of the SE Regulation in conjunction with Sections 71d and 71e of the German Stock Corporation Act (*Aktiengesetz*) (***Authorization Own Shares 2018***). The shares may be acquired (i) on the stock exchange, (ii) by way of a public offer to all shareholders in one or more tranches, (iii) through the issuance of tender rights (*Andienungsrechte*) on a *pro rata* basis to the shareholders, or (iv) by means of put and call options or a combination of the two. Own shares may not be used for trading on the market. The Management Board is authorized to cancel (*einziehen*) the shares or to use them, with the Supervisory Board's consent, as follows, provided that the own shares do not exceed 10% of the Company's share capital at the time the share purchase resolution is adopted: (i) selling the acquired shares against cash consideration and at a price which is not significantly below the market price at the time of sale, (ii) transferring the acquired shares against contribution in kind for the purpose of the acquisition or takeover of shares in another company or the purchase of real estate and real estate portfolios or to service convertible bonds and/or bonds with warrants or a combination of these instruments that are issued against contribution in kind, (iii) offering the acquired shares to, amongst others, employees of the Company or of Group companies and to executive directors of Group companies, and (iv) fulfilling obligations under option rights, bonds with warrants, convertible bonds, jouissance rights or profit-linked bonds or a combination of these instruments issued by the Company or any of the Group companies. This includes the authorization to transfer the shares free of charge or at other preferential terms in connection with employee stock option programs and the transfer of the shares to a financial institution with the obligation to offer such shares to the employees under the stock option programs.

Furthermore, on May 9, 2018, the Company's shareholders' meeting authorized the Management Board to use derivatives for the acquisition and/or sale of own shares up to a maximum of 5% of the Company's share capital as of May 9, 2018 (*i.e.* up to a maximum of 24,255,041 shares) or – if that value is lower – at the time when this authorization is exercised.

17.6 General Provisions Governing a Liquidation of the Company

Apart from a liquidation as a result of insolvency proceedings, the Company may be liquidated only with a majority vote of 75% or more of the share capital represented at the Company's shareholders' meeting at which such vote is taken. Furthermore, the commencement of insolvency proceedings regarding the assets of the Company, the rejection of insolvency proceedings for insufficient assets to cover the costs of the proceedings, a cancellation of the Company for lack of funds or the imposition of a final decision of the registry court about a material defect in the Articles of Association could lead to a cancellation of the Company. Pursuant to Article 63 of the SE Regulation in conjunction with the German Stock Corporation Act (*Aktiengesetz*), any assets remaining in the event of the Company's liquidation after all of the

Company’s liabilities have been settled will be distributed among the shareholders in proportion to their shareholdings. The German Stock Corporation Act (*Aktiengesetz*) provides for certain protections for creditors that must be observed in the event of liquidation.

17.7 General Provisions Governing a Change in the Share Capital

Under Articles 5, 57 and 59 of the SE Regulation in conjunction with the German Stock Corporation Act (*Aktiengesetz*), a European Company (*Societas Europaea*) requires a Company’s shareholders’ meeting resolution passed with a majority of at least 75% of the share capital represented at the vote to increase its share capital. Pursuant to the Company’s Articles of Association, resolutions on certain capital measures that do not have a dilutive effect (*Verwässerungseffekt*) on the shareholder’s interests (such as capital increases with shareholders’ subscription rights against contributions, capital increases from company funds and the issuance of convertible bonds, profit participation bonds and other instruments for which the shareholders have a subscription right) may be adopted with a simple majority.

Shareholders can also create authorized capital. This requires a resolution passed with a majority of at least 75% of the share capital represented at the vote, authorizing the Management Board to issue a specific quantity of shares within a period not exceeding five years. The nominal amount of the authorized capital may not exceed half of the share capital existing at the time the authorization is granted.

In addition, shareholders can create conditional capital by a resolution passed with a majority of at least 75% of the share capital represented at the vote for the following purposes: (i) granting conversion or subscription rights to holders of convertible bonds, (ii) preparing a merger of several companies, or (iii) granting subscription rights to employees and managing executives. The nominal amount of conditional capital may not exceed 10% of the share capital represented at the vote in cases where it is created to issue shares to managers and employees, and may not exceed 50% in all other cases.

Resolutions to reduce the Company’s share capital require a majority of at least 75% of the share capital represented at the vote.

17.8 General Provisions Governing Subscription Rights

Article 5 of the SE Regulation in conjunction with Section 186 of the German Stock Corporation Act (*Aktiengesetz*) generally grants to all shareholders the right to subscribe for new shares issued in a capital increase. The same applies to convertible bonds, bonds with warrants, jouissance rights and participating bonds. Subscription rights are freely transferable and may be traded on German stock exchanges for a prescribed period before the expiry of the subscription period. However, shareholders do not have a right to request admission to trading for subscription rights. The Company’s shareholders’ meeting may, subject to a majority of at least 75% of the share capital represented at the vote, resolve to exclude subscription rights. Exclusion of shareholders’ subscription rights also requires a report from the Management Board that justifies and demonstrates that the company’s interest in excluding subscription rights outweighs the interest of the shareholders being granted subscription rights. Excluding shareholders’ subscription rights when new shares are issued is specifically permissible where:

- the company is increasing its share capital against cash contributions;
- the amount of the capital increase of the issued shares under exclusion of subscription rights does not exceed 10% of the outstanding share capital, both at the time when the authorization takes effect and at the time when it is exercised; and
- the price at which the new shares are issued is not materially lower than the stock exchange price of the company’s shares.

17.9 Exclusion of Minority Shareholders

17.9.1 Squeeze-out under stock corporation law

Under Article 9(1)(c)(ii) of the SE Regulation in conjunction with Section 327a et seq. of the German Stock Corporation Act (*Aktiengesetz*), which govern a "squeeze-out under stock corporation law", the Company's shareholders' meeting may, upon the request of a shareholder holding 95% of the share capital (***Majority Shareholder***), resolve to transfer the shares of minority shareholders to the Majority Shareholder against the payment of an appropriate compensation in cash. The amount of the cash compensation that must be offered to minority shareholders must reflect "the company's circumstances" at the time its shareholders' meeting passes the resolution. The amount of the cash payment is based on the full value of the company, which is generally determined using the capitalized earnings method. The minority shareholders are entitled to file for a valuation proceeding (*Spruchverfahren*), in the course of which the appropriateness (*Angemessenheit*) of the cash compensation is reviewed.

17.9.2 Squeeze-out under reorganization law

Under the German Reorganization and Transformation Act (*Umwandlungsgesetz*), an alternative for squeezing out minority shareholders has been introduced. Pursuant to Section 62(5)(1) of the German Reorganization and Transformation Act, a majority shareholder holding at least 90% of a stock corporation's shares may require the shareholders' meeting to resolve that the minority shareholders must sell their shares to the majority shareholder against payment of appropriate compensation in cash, provided that (i) the majority shareholder is a stock corporation, a partnership limited by shares (*Kommanditgesellschaft auf Aktien*) or a European company (*Societas Europaea*) having its seat in Germany; and (ii) the squeeze-out is performed to facilitate a merger under the German Reorganization and Transformation Act between the majority shareholder and the stock corporation. The shareholders' meeting approving the squeeze-out must take place within three months after execution of the merger agreement.

The procedure for the squeeze-out is essentially identical to the "squeeze-out under stock corporation law" described above, including the minority shareholders' option to have the appropriateness of the cash compensation reviewed.

17.9.3 Squeeze-out and tender rights under takeover law

Under Sections 39a and 39b of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*), in the case of a so-called "squeeze-out under takeover law", a bidder holding at least 95% of the voting share capital of a target company (as defined in the German Securities Acquisition and Takeover Act) after a public takeover offer or mandatory offer, may, within three months of the expiry of the acceptance period, petition the Regional Court *(Landgericht*) of Frankfurt am Main for a court order transferring the remaining voting shares to itself against the payment of appropriate compensation. A resolution passed by the shareholders' meeting is not required. The consideration paid in connection with a takeover offer or mandatory offer is considered appropriate if the bidder, as a result of the offer, has obtained shares representing at least 90% of the share capital. The nature of the compensation must be the same as the consideration paid under the takeover offer or mandatory offer; a cash alternative must always be offered.

In addition, after a takeover offer or mandatory offer, shareholders in a target company who have not accepted the offer may do so up to three months after the expiry of the acceptance period, provided that the bidder is entitled to petition for the transfer of the outstanding voting shares in accordance with Section 39a of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) (Section 39c of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*)).

The provisions for a squeeze-out under stock corporation law cease to apply once a bidder has petitioned for a squeeze-out under takeover law, and only apply again when these proceedings have been definitively completed.

17.9.4 Integration

Under Article 9(1)(c)(ii) of the SE Regulation in conjunction with Section 319 et seq. of the German Stock Corporation Act (*Aktiengesetz*), the shareholders' meeting of a stock corporation may vote for integration (*Eingliederung*) into another stock corporation that has its registered office in Germany, provided that the future parent company holds at least 95% of the shares of the company to be integrated. The former shareholders of the integrated company are entitled to appropriate compensation, which generally must be provided in the form of own shares of the parent company. Where the compensation takes the form of shares in the parent company, it is considered appropriate if the shares are issued in the same proportion as shares in the parent company would be issued per share in the integrated company if a merger took place. Fractional amounts may be paid out in cash.

17.10 Shareholder Notification Requirements, Mandatory Takeover Offers and Managers' Transactions

The Company, as a listed company whose shares have been admitted to official trading on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), is subject to the provisions of the German Securities Trading Act (*Wertpapierhandelsgesetz*) governing disclosure requirements for changes in the share of voting rights held, the provisions of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) and Regulation (EU) No 596/2014 (*Market Abuse Regulation* - ***MAR***).

17.10.1 Notification requirements of shareholders and holders of financial instruments

The German Securities Trading Act (*Wertpapierhandelsgesetz*) requires that anyone who, by way of acquisition, sale or otherwise, reaches, exceeds or falls below 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% or 75% of the voting rights in an issuer whose country of origin is Germany and whose shares are admitted to trading on an organized market must immediately, and no later than within four trading days, notify the issuer and at the same time BaFin of such fact. Subsequent notifications are required if such person (i) acquires additional shares or in any other way reaches or exceeds a higher threshold, or (ii) sells or in any other way falls below the aforementioned thresholds.

All such notifications must be submitted without undue delay, and no later than within four trading days. The four day notification period starts at the time the person or entity subject to the notification requirement has knowledge of or, in consideration of the circumstances should have had knowledge of, his proportion of voting rights reaching, exceeding or falling below the aforementioned thresholds. The German Securities Trading Act (*Wertpapierhandelsgesetz*) contains a conclusive presumption that the person or entity subject to the notification requirement has knowledge at the latest two trading days after such an event occurs. Moreover, a person or entity is deemed to already hold shares as of the point in time such person or entity has an unconditional and due claim of transfer related to such shares. If a threshold has been reached or crossed due to a change in the total number of voting rights, the notification period starts at the time the person or entity subject to the notification requirement has knowledge about such change, or upon the publication of the revised total number of voting rights by the Company, at the latest.

In connection with these requirements, Section 34 of the German Securities Trading Act (*Wertpapierhandelsgesetz*) contains various attribution rules. For example, voting rights attached to shares held by a subsidiary are attributed to its parent company. Similarly, voting rights attached to shares held by a third party for the account of a person or entity are attributed to such person or entity. Voting rights which a person or entity is able to exercise as a proxy according to such person's or entity's discretion are also attributed to such person or entity. Furthermore, any coordination by a person or entity with a third party on the basis of an agreement or in any other way generally results in an attribution of the full amount of voting rights held by, or attributed to, the third party as well as to such person or entity. Such acting in concert generally requires a consultation on the exercise of voting rights or other efforts designed to effect a permanent and material change in the business strategy of the Company (*e.g.* fundamental changes to Vonovia's business model or a sale of a substantial part of Group's assets). Accordingly, the exercise of voting rights does not necessarily have to be the subject of acting in concert. Coordination in individual cases, however, is not considered as acting in concert.

Except for the 3% threshold, Section 38(1) of the German Securities Trading Act (*Wertpapierhandelsgesetz*) sets forth similar notification requirements towards the Company and BaFin, if the aforementioned thresholds are reached, exceeded or undercut, because the shareholder holds financial instruments that (i) confer to him (a) the unconditional right to acquire already issued shares of the Company to which voting rights are attached when due or (b) discretion to exercise his right to acquire such shares, or (ii) relate to such shares and have a similar economic effect as the aforementioned instruments, whether or not conferring a right to a physical settlement. Thus, the latter mentioned notification requirements also apply, for example, to share swaps against cash consideration and contracts for difference. In general, the number of voting rights from financial instruments is calculated by reference to the full nominal amount of shares underlying the financial instrument, except where such financial instrument is only settled in cash. Details for such calculations are set forth in Commission Delegated Regulation (EU) 2015/761 of December 17, 2014 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to certain regulatory technical standards on major holdings.

In addition, a person or entity is subject to a notification requirement towards the Company and BaFin if the sum of the voting rights from shares and (financial) instruments held or attributed to such person or entity reaches, exceeds or falls below the aforementioned thresholds, again except for the 3% threshold.

There are certain exceptions to the notification requirements. For example, a company is exempt from notification obligations if its parent company has filed a group notification pursuant to Section 37(1) of the German Securities Trading Act (*Wertpapierhandelsgesetz*). If the Company's parent company is itself a subsidiary, then the relevant company is exempt from notification obligations if its parent's parent company has filed such group notification. Moreover, shares or instruments held by a credit institution or a credit securities services company with a registered seat in the European Union or in a member state of the EEA are not taken into account for determining the notification obligation or proportion of voting rights held, provided (i) the shares or instruments are held in such credit institution's or credit securities services company's trading book, (ii) they amount to no more than 5% of the Company's voting rights, do not grant the right to acquire more than 5% of the voting rights, or do not have a similar economic effect and (iii) it is ensured that the voting rights pertaining to such shares or instruments are not exercised or otherwise utilized.

If any notification obligation is triggered, the notifying person or entity is required to fully complete the notification form set forth as an annex to the German Securities Trading and Insider List Regulation (*Wertpapierhandelsanzeige- und Insiderverzeichnisverordnung*). The notification may be submitted either in German or in English, in writing, via fax or via electronic communications. Irrespective of the event triggering the notification, the notification must include (i) the number and proportion of voting rights, (ii) the number and proportion of instruments and (iii) the aggregate number and proportion of voting rights and instruments held by, or attributed to, the notifying person or entity. In addition, the notification must include certain attribution details (*e.g.* the first name, surname and date of birth of the notifying individual or the legal name, seat and state of a notifying entity, the event triggering the notification, the date on which the threshold was reached or crossed and whether voting rights or instruments are attributed).

As a domestic issuer in Germany, the Company is required to publish such notifications without undue delay, but no later than three trading days after receipt, via media outlets or outlets where it can be assumed that the notification will be disseminated in the entire European Union and in all member states of the EEA. Such publications may only be made in German and/or English. The Company is also required to transmit these publications to BaFin, specifying the time of publication and the media used and to the German Company Register (*Unternehmensregister*) for storage.

Rights of shares held by shareholders, or from which voting rights are attributed to shareholders, do not exist for as long as the notification requirements are not fulfilled or not fulfilled appropriately. This temporary nullification of rights applies, in particular, to dividend, voting and subscription rights. Yet it does not apply to entitlements to dividend and liquidation gains if the notifications were not omitted willfully and have since been submitted. If the shareholder willfully or grossly negligently fails to disclose the correct proportion of voting rights held, the rights attached to shares held by or attributed to such shareholder cease to exist for a period of six months after such shareholder has correctly filed the necessary notification, except if the variation was less than 10% of the actual voting right proportion and no notification with respect to reaching, exceeding or falling below the aforementioned thresholds, including the 3% threshold, was omitted. In addition, a fine may be imposed for failure to comply with notification obligations. Pursuant to Sections 38(1) and 39(1) of the German Securities Trading Act (*Wertpapierhandelsgesetz*), the same rules apply if a shareholder fails to file a notification or provides false information with regard to holdings in instruments or aggregate holdings in shares and instruments.

Furthermore, pursuant to the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*), every person holding 30% or more of the voting rights in a company is obliged to publish this fact and to make a mandatory offer to all shareholders of the Company (for further details see *17.10.3 Mandatory offers*).

17.10.2 Special notification requirements for more than 10% of the voting rights

Pursuant to Section 43 of the German Securities Trading Act (*Wertpapierhandelsgesetz*), a shareholder who reaches or exceeds the threshold of 10% of the voting rights of the Company, or a higher threshold, is required to notify the Company within 20 trading days regarding the objective being pursued through the acquisition of such voting rights, as well as regarding the source of funds used for the purchase. Changes in those objectives must also be reported within 20 trading days. The Articles of Association have not made use of the option to release shareholders from this disclosure obligation. In calculating whether the 10% threshold has been reached, the aforementioned attribution rules apply. The Company is required to publish any notification pursuant to Section 43 of the German Securities Trading Act (*Wertpapierhandelsgesetz*) without undue delay following the receipt of such notification, and in any event no later than within three trading days therefrom. Furthermore, the Company is required to publish any acts of non-compliance with notification obligations by a shareholder in the same manner.

17.10.3 Mandatory offers

Pursuant to the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*), every person whose share of voting rights reaches or exceeds 30% of the voting rights of the Company is required to publish this fact, including the percentage of its voting rights, within seven calendar days of crossing this threshold. Such publication must be furnished on the internet and by means of an electronic system for disseminating financial information. The German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) contains a series of provisions intended to ensure the attribution of shareholdings to the person who actually controls the voting rights attached to such shares.

Once the share of voting rights reaches or exceeds 30% of the voting rights of the Company, such shareholder is required to make a mandatory tender offer to all shareholders of the Company. Under certain conditions, BaFin may grant an exemption from this rule. If the relevant shareholder fails to give notification of reaching or exceeding the 30%-threshold or fails to submit the mandatory tender offer, such shareholder is barred from exercising the rights associated with these shares (including voting rights and, in case of willful failure to send the notification and failure to subsequently send the notification in a timely manner, the right to dividends) for the duration of the delinquency. A fine may also be imposed in such cases.

17.10.4 Managers' transactions

A person discharging managerial responsibilities within the meaning of Article 3(1) no. 25 MAR (*i.e.* the members of the Management Board and the Supervisory Board), must notify the Company and BaFin of transactions undertaken for their own account relating to the Company's shares or to financial instruments based on the Company's shares (subject to a EUR 20,000.00 *de minimis* exception per calendar year for all such transactions). This also applies to persons closely associated with a person discharging managerial responsibilities within the meaning of Article 3(1) no. 26 MAR. Such notifications must be made promptly and no later than three business days after the date of the relevant transaction. The Company must ensure that such notifications are made public within two business days after receipt by the Company.

During a closed period of 30 calendar days before the announcement of an interim financial report or a year-end report which the Company is required to make public according to (i) the rules of the trading venue where the Company's shares are admitted to trading or (ii) national law, persons discharging managerial responsibilities are prohibited from conducting for their own account or for the account of a third party any transactions directly or indirectly relating to shares or debt instruments of the Company, or to derivatives or other financial instruments linked to such securities.

17.11 Short Selling Regulation

Pursuant to Regulation (EU) No. 236/2012 of the European Parliament and of the Council of March 14, 2012 on short selling and certain aspects of credit default swaps, as amended (the ***Short Selling Regulation***), the European Commission's delegated regulation for the purposes of detailing the Short Selling Regulation, and the German EU Short Selling Implementation Act (*EU-Leerverkaufs-Ausführungsgesetz*) of November 15, 2012, the short-selling of the Company's shares is only permitted under certain conditions. In addition, under the provisions of the Short Selling Regulation, significant net-short selling positions in the Company's shares must be reported to BaFin and published if they exceed a specific percentage. The reporting and publication process is detailed in the German Regulation on Net-Short Positions (*Netto-Leerverkaufspositionsverordnung*) of December 17, 2012. The net short-selling positions are calculated by offsetting the short positions of a natural person or legal entity in the Company's shares with its long positions in such shares. The details are regulated in the Short Selling Regulation and the other regulations the European Commission enacted on short-selling. In certain situations, described in the Short Selling Regulation, BaFin may restrict short-selling and comparable transactions.

18. DESCRIPTION OF THE GOVERNING BODIES OF VONOVIA

18.1 Overview

The Company's governing bodies are the Management Board, the Supervisory Board and the shareholders' meeting (*Hauptversammlung*). The Company has a two-tier management and control system, consisting of the Management Board and the Supervisory Board. The powers of these governing bodies are determined by the SE-Regulation and the German Act on the SE-Implementation (*SE-Ausführungsgesetz*), the German Stock Corporation Act (*Aktiengesetz*), the Articles of Association and the internal rules of procedure of both the Supervisory Board and Management Board.

The Management Board is responsible for managing the Company in accordance with applicable law, the Articles of Association and its internal rules of procedure, including the schedule of responsibilities. The Management Board represents the Company in dealings with third parties.

Simultaneous management and supervisory board membership in a European company (*Societas Europaea*) is not permitted under the SE-Regulation; however, simultaneous membership of a member of the supervisory board taking a vacant seat on the management board of the same European company (*Societas Europaea*) is temporarily permissible. During this period, such individual may not perform any duties for the supervisory board. Such stand-in arrangement is limited in time for a maximum period of one year if the European company (*Societas Europaea*) is domiciled in Germany.

The Supervisory Board determines the exact number of members of the Management Board. Pursuant to the Articles of Association, the Management Board comprises at least two members and the Supervisory Board determines the exact number of the members of the Management Board. The Supervisory Board also appoints the members of the Management Board and is entitled to dismiss each of them under certain circumstances. As set out in Article 40 of the SE-Regulation together with the German Stock Corporation Act (*Aktiengesetz*), the Supervisory Board advises on, and oversees, the Management Board's administration of the Company, but is not itself authorized to manage the Company. The articles of association of an SE and the Supervisory Board may, however, designate the types of transactions that may only be carried out with the approval of the Supervisory Board. In addition, the Supervisory Board may itself carry out certain types of transactions subject to its consent. Matters subject to the prior consent of the Supervisory Board or of a committee of the Supervisory Board pursuant to Section 8.5 of the Articles of Association and Section 8.1 of the internal rules of procedure of the Management Board currently include, in particular (matters listed not only in Section 8.1 of the internal rules of procedure of the Management Board but also in Section 8.5 of the Articles of Association are denoted with an "*"):

- the adoption of the business plan (including capital expenditures, personnel and finance plan) for Vonovia for the next business year (budget)*;
- other investments (including maintenance and modernization) which are not included in the Company's business plan and which exceed an amount of EUR 100 million per transaction;
- the acquisition or sale of participation in companies or business operations, if the value (including the assumption of liabilities) exceeds a specified threshold. The approval of such a transaction up to a specified threshold can be granted by the Finance Committee;
- the formation and liquidation of companies as well as the acquisition and disposal of shares in companies or of business operations, provided that the value (including the assumption of liabilities) exceeds a certain threshold*;
- the execution, amendment or termination of affiliation agreements pursuant to Sections 291, 292 of the German Stock Corporation Act (*Aktiengesetz*)*;

- the commencement of significant new, and the abandonment of significant existing, areas of activity, and the taking of significant measures outside of the ordinary course of business not otherwise specified in Section 8.1 of the internal rules of procedure of the Management Board;
- the purchase or sale of land, the creation, acquisition or divestment of leasehold properties (*Erbbaurechte*) or rights equivalent to title rights in real estate (or the incurrence of a respective obligation), if the amount of investment or divestment exceeds a specified threshold per transaction. The approval of such a transaction up to a specified threshold can be granted by the Finance Committee;
- the requesting, extension or termination of credit facilities or loans or the issuance of debt securities of the Company (*e.g*. bonds) exceeding a specified threshold or the corresponding amount in a foreign currency. The approval of such a transaction up to a specified threshold can be granted by the Finance Committee;
- the trading of speculative financial instruments of any kind and derivative transactions outside of the ordinary course of business; the trading of financial instruments is considered speculative if it is not based on respective operating business and thus does not serve the reasonable hedging of existing risks; financial investments in assets rated lower than "Investment Grade" are considered speculative financial instruments;
- the establishment of, or the material amendment of existing employee participation programs, profit sharing or similar incentive programs as well as company pension schemes. The approval for such measures can be granted by the Executive and Nomination Committee (*Präsidial- und Nominierungsausschuss*); and
- approval of contracts with the statutory auditors concerning additional non-audit services, if the cumulative fees for these services exceed or are expected to exceed EUR 150,000 by the Audit Committee (*Prüfungsausschuss*) and the services are no pre-approved non-audit services. The audit committee can give its consent to such a measure, provided that the cumulative fees in the current business year do not exceed 70% of average renumeration of the last three years audit fees.

The Management Board is also required to obtain prior approval of the Supervisory Board (or of a committee which might have been appointed for these purposes), if it becomes involved in transactions substantially similar to those described above at affiliated companies through instructions, approvals, votes, or in any other manner. The Management Board is also required to ensure, to the extent legally permissible, that most of the aforementioned measures in affiliated companies require the Management Board’s prior approval and may be granted after having obtained the approval by the Supervisory Board. The Supervisory Board may issue a general authorization for a specific type of business in the event that the individual type of business meets certain requirements in advance.

Each member of the Management Board and Supervisory Board owes a duty of loyalty and due care to the Company. Each member of these bodies must consider a broad spectrum of interests, particularly those of the Company and its shareholders, employees and creditors. In addition, the Management Board must also take into consideration the shareholders’ rights to equal treatment and equal access to information. If members of the Management Board or Supervisory Board breach their duties, they may be individually or jointly and severally liable with the other members of the Management Board or the Supervisory Board to the Company for damages, as the case may be.

Under German law, a shareholder generally has no right to proceed directly against members of the Management Board or Supervisory Board if he believes they have breached their duties to the Company. In general, only the Company has the right to enforce claims for damages against the members of the Management Board or Supervisory Board. With respect to claims against Supervisory Board members, the Company is represented by the Management Board, and with respect to claims against Management Board members, the Company is represented by the Supervisory Board. Under a decision of the German Federal Court of Justice (*Bundesgerichtshof*), the Supervisory Board is required to assert damage claims against the Management Board if they are likely to succeed, unless significant interests of the Company conflict with the pursuit of such claims and outweigh the reasons for bringing such claims. If the governing body authorized to represent the Company decides not to pursue a claim, the Company's claims for damages against members of the Management Board or Supervisory Board must nevertheless be asserted if the shareholders' meeting adopts a resolution to this effect by a simple majority. The shareholders' meeting may appoint a special representative (*besonderer Vertreter*) to assert the claims. Shareholders whose shares cumulatively make up 10% of the share capital, or a *pro rata* share of EUR 1 million may also petition the court to appoint a special representative. In addition, the shareholders' meeting may appoint special auditors (*Sonderprüfer*) to audit matters relating to the formation of a company or its management by simple majority vote. If the shareholders' meeting rejects a motion to appoint a special auditor, the court must appoint a special auditor upon the petition of shareholders whose shares cumulatively constitute 1% of the share capital at the time the petition is filed or constitute a *pro rata* share of EUR 100,000, if facts exist that justify the suspicion that the transaction was accompanied by dishonesty or gross violations of the law or the articles of association. If the shareholders' meeting appoints a special auditor, the court must appoint another special auditor upon the petition of shareholders whose shares cumulatively constitute 1% of the share capital at the time the petition is filed or constitute a *pro rata* share of EUR 100,000 if this appears necessary due to the identity of the special auditor who was appointed.

Shareholders and shareholder associations can solicit other shareholders to file a petition, jointly or by proxy, for a special audit, for the appointment of a special representative, or to convene a shareholders' meeting or exercise voting rights in a shareholders' meeting in the shareholders' forum of the German Federal Gazette (*Bundesanzeiger*). If there are facts that justify the suspicion that the Company was harmed by dishonesty or a gross violation of law or the articles of association, shareholders who collectively hold 1% of the share capital or a *pro rata* share of EUR 100,000 at the time of the filing of the petition may also, under certain further conditions, seek damages from members of the Company's governing bodies in their own names through court proceedings seeking leave to file a claim for damages. Such claims, however, become inadmissible if the Company itself files a claim for damages.

The Company may only waive or settle claims for damages against members of the Management Board or Supervisory Board three years after such claims arose if the shareholders grant their consent at the shareholders' meeting by simple majority vote unless a minority of the shareholders whose shares cumulatively constitute 10% of the share capital objects to the minutes.

Under German law, individual shareholders and all other persons are prohibited from using their influence on the Company to cause a member of the Management Board or the Supervisory Board, an authorized signatory (*Prokurist*) or authorized agent (*Handlungsbevollmächtigter*) to take an action detrimental to the Company. This does not apply if the member of the Management Board or the Supervisory Board, the authorized signatory or the authorized agent has been compelled to take such detrimental actions due to the exercise of the management powers resulting from a domination agreement or due to the management powers of a holding company, in which the Company is integrated. Any person who uses his influence on the Company to cause a member of the Management Board or the Supervisory Board, an authorized signatory (*Prokurist*), or an authorized agent (*Handlungsbevollmächtigter*) to act to the detriment of the Company or its shareholders may be liable to compensate the Company and the affected shareholders, respectively, for the resulting losses. Moreover, the members of the Management Board and Supervisory Board are jointly and severally liable if they have acted in breach of their duties.

18.2 Management Board

18.2.1 Current composition of the Management Board

Under the Articles of Association, the Management Board must consist of at least two persons, and the Supervisory Board determines the exact number of the members of the Management Board. The Supervisory Board appoints the members of the Management Board for a period not exceeding six years. The Supervisory Board may appoint a chairperson of the Management Board as well as a deputy chairperson of the Management Board. Currently, the Management Board consists of four members, with Rolf Buch appointed as chairman.

Reappointment for a term not exceeding six years is permissible. The Supervisory Board may revoke the appointment of a Management Board member prior to the expiration of his or her term for cause, such as a gross breach of fiduciary duty, or if the shareholders' meeting passes a vote of no confidence with respect to such member, unless the no-confidence vote was clearly unreasonable. The Supervisory Board is also responsible for entering into, amending and terminating the service agreements with the members of the Management Board and, in general, for representing the Company in and out of court against the members of the Management Board. The Management Board is directly responsible for managing the Company.

In the event that the Management Board consists of at least three members, Management Board meetings are quorate if all Management Board members have been invited and at least half of the members (including the chairperson or a member of the Management Board appointed by him or her) participate in the meeting either in person or through, *e.g*. electronic means. Members who abstain from voting are also considered to be participating. The chairperson of the Management Board has the right to object to any of the Management Board's resolutions (veto right). Unless the law, the articles of association or the rules of procedure of the Management Board stipulate otherwise, the Management Board generally adopts resolutions by a simple majority of the votes cast. In the case of a tie, the chairperson shall have the casting vote. Further details, particularly regarding composition, duties, overall responsibility, allocation of responsibility for particular functions and internal organization are governed by the rules of procedure of the Management Board which were issued by the Supervisory Board and entered into force on November 1, 2020.

The Company is represented *vis-à-vis* third parties and in court proceedings by two members of the Management Board jointly or by a member of the Management Board jointly with a holder of statutory power of representation (*Prokurist*). The Supervisory Board may determine that any or all members of the Management Board are authorized to represent the Company individually.

The internal rules of procedure of the Management Board require that the delegation of responsibilities to individual Management Board members is established on the basis of the business distribution plan (*Geschäftsverteilungsplan*). The business distribution plan is part of the rules of procedure of the Management Board and is prepared by the Supervisory Board.

In connection with the Deutsche Wohnen Transaction, Vonovia and Deutsche Wohnen agreed in the Business Combination to appoint certain persons to Vonovia's Management Board, which are not yet reflected in the table below. For further information, see "*10.3.1 Cooperation and future corporate governance*".

The table below lists the current members of the Management Board.

Name	Year of birth	Member since	Appointed until	Position
Rolf Buch	1965	April 1, 2013	February 28, 2023	Chief Executive Officer

Name	Year of birth	Member since	Appointed until	Position
Helene von Roeder	1970	May 9, 2018	End of the ordinary shareholders' meeting held in 2023	Chief Financial Officer
Arnd Fittkau	1973	May 16, 2019	May 31, 2027	Chief Rental Officer
Daniel Riedl...........................	1969	May 9, 2018	May 31, 2026	Chief Development Officer

The Company has established a code of conduct, which does not permit donations to political organizations.

The following description provides summaries of the *curricula vitae* of the current members of the Management Board and indicates their principal activities outside the Group to the extent those activities are significant with respect to the Group.

Rolf Buch, Chief Executive Officer, is responsible for the departments transaction, Value-add, legal, investor relations, IT, human resources management, audit, corporate communications and sustainability. When he joined the Company in 2013, Rolf Buch led the Company to the stock exchange. Previously, he held various management positions at Bertelsmann for 22 years, most recently as a member of the management board of Bertelsmann SE and chairman of the management board of Arvato AG. He is a member of the executive committee of GdW Bundesverband deutscher Wohnungs- und Immobilienunternehmen e. V., vice president of ZIA Zentralen Immobilien Ausschuss e. V. and Deutscher Verband für Wohnungswesen, Städtebau und Raumordnung (DV) e. V. He completed his studies in mechanical engineering and business administration at the RWTH Aachen. Mr. Buch has German nationality.

Alongside his office as the Company's chief executive officer and chairman of the Management Board, Mr. Buch is, or was within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Group:

Currently:

- Kötter Unternehmensgruppe (member of the advisory board); and
- Apleona GmbH (member of the supervisory board and the board of shareholders).

Previously:

- GSB Gesellschaft zur Sicherung von Bergmannswohnungen mbH (member of the supervisory board); and
- D. Carnegie & Co AB (publ) (non-executive director).

Other than as listed above, Mr. Buch has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Group within the last five years.

Helene von Roeder has been Chief Financial Officer on the Management Board of the Company since May 2018 and is responsible for the departments controlling, finance, accounting, taxes, real estate valuation, central purchasing, insurance and real estate trust. In connection with the Deutsche Wohnen Transaction, Vonovia and Deutsche Wohnen agreed in the Business Combination Agreement that Ms. von Roeder will take over a new department (innovation and digitization with the fields of Value -add (including insurance), Vonovia Immobilien Treuhand, BUWOG Immobilien Treuhand, IT and procurement (without procurement governance)). Prior to this, she was as chief executive officer Germany responsible for managing the business of Credit Suisse in Germany, Austria and Central and Eastern Europe from 2014.

She started her career at Deutsche Bank in London in 1995 after studying theoretical physics in Munich and theoretical astrophysics in Cambridge. From 2000 to 2004 she worked for UBS AG in Frankfurt and London and then moved to Morgan Stanley Bank AG in Frankfurt, where she finally became head of global capital markets for Germany and Austria and a member of the executive board of Morgan Stanley Bank AG. Ms. von Roeder has German nationality.

Alongside her office as the Company’s Chief Financial Officer and member of the Management Board, Ms. von Roeder was within the last five years a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Group:

Currently:

- E. Merck KG (member of the advisory board);
- Merck KGaA (member of the supervisory board); and
- AVW Versicherungsmakler GmbH (member of the supervisory board).

Previously:

- Credit Suisse (Deutschland) Bank AG (chief executive officer).

Other than as listed above, Ms. von Roeder has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Group within the last five years.

Arnd Fittkau, Chief Rental Officer, has been responsible for the Company's rental business with the business divisions North, East, South and West and the departments of customer service and portfolio and rental management since May 2019. Arnd Fittkau began his professional career in various controlling functions, initially at MAN AG in Munich and at Hochtief AG in Essen, and from 2002 at what is now Vonovia, after completing a management trainee program at MAN Gutehoffnungshütte AG (1992-1996). From 2005 he worked for three years at the Gagfah Group as head of controlling. Since 2008, Arnd Fittkau has held several managing positions in subsidiaries at various locations such as Bochum, Munich, Frankfurt and Gelsenkirchen. Most recently, he held the role of general representative of the Company since the beginning of March 2018 and acted as chairman of the regional executive boards. Mr. Fittkau has German nationality.

Alongside his office as the Company’s Chief Rental Officer and member of the Management Board, Mr. Fittkau is, or was within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Group:

Currently:

- STEAG Fernwärme GmbH (member of the advisory board).

Other than as listed above, Mr. Fittkau has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Group within the last five years.

Daniel Riedl, Chief Development Officer, is responsible for development Austria, development Germany and the operative business in Austria. Mr. Riedl studied commercial science at the Vienna University of Economics and Business Administration and is a Fellow of the RICS. Mr. Riedl has around 20 years of experience in the real estate industry, including more than ten years at board level. He was a member of the executive board of IMMOFINANZ AG from 2008 to 2014. In April 2014, he led BUWOG AG to the stock exchange and was its chief executive officer until its delisting at the end of 2018. Mr. Riedl joined the Management Board as Chief Development Officer on May 9, 2018. He is an Austrian citizen.

Alongside his office as a member of the Management Board, Mr. Riedl is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Group:

Previously:

- BUWOG AG (chief executive officer).

Other than as listed above, Mr. Riedl has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Group within the last five years.

The members of the Management Board may be reached at the Company's office at Universitätsstraße 133, 44803 Bochum, Germany (phone +49 (0) 234-314-0).

18.2.2 Service agreements of the Management Board

Under the service agreements between the Company and the members of the Management Board, Mr. Buch is employed until February 28, 2023, Ms. von Roeder until the end of the Company's ordinary shareholders' meeting held in 2023, Mr. Fittkau until May 31, 2027 and Mr. Riedl until May 31, 2026. Mr. Riedl has an additional service agreement with BUWOG Bauen und Wohnen GmbH, Vienna, which also runs until May 31, 2026. The remuneration listed for Mr. Riedl in this section therefore includes the remuneration components from both agreements. It is envisaged that Ms. von Roeder will, at the time at which she will take over the new department, be re-appointed early for another term and her service agreement shall be adapted accordingly. Further, it is planned to re-appoint Mr. Fittkau and his service agreement shall be prolonged accordingly. For any new members of the Management Board who shall be appointed in connection with the Deutsche Wohnen Transaction, it is envisaged, that the period of their service agreements will match their term of appointment (planned three years) and that the other terms and conditions of service are materially in line with the terms and conditions of the service agreements of the other ordinary Management Board members. The financial terms of the service agreements of the members of the Management Board who shall be appointed in connection with the Deutsche Wohnen Transaction are planned to differ. For one of the planned new members of the Management Board the remuneration shall be equivalent to the current remuneration of the other ordinary members of the Management Board and for the other planned new member of the Management Board the remuneration shall amount to 1.5 times the current remuneration of the other ordinary members of the Management Board.

If a Management Board member's service agreement is validly terminated by the Company for cause (*Kündigung aus wichtigem Grund*) in accordance with Section 626 of the German Civil Code (*Bürgerliches Gesetzbuch*), all remuneration obligations of the Company (fixed remuneration, STI, LTI and fringe benefits) end with immediate effect. In the event that a member of the Management Board's board office is terminated by the Supervisory Board (*Abberufung*)– which is possible under certain limited circumstances only (see *18.2.1 Current composition of the Management Board*) – for reasons that do not justify a termination of the underlying service agreement for cause in accordance with Section 626 of the German Civil Code (*Bürgerliches Gesetzbuch*), the service agreement terminates automatically upon expiry of the notice period as set out in Section 622(2) of the German Civil Code (*Bürgerliches Gesetzbuch*), but no later than upon expiry of the term of the agreement. In this case, the Management Board member will receive a severance payment equal to two years' remuneration less payments during the notice period and up to a cap of the lower of (i) two years' total remuneration (including all benefits and bonuses) (***Severance Cap***) and (ii) the total remuneration for the remainder of the term of the contract. In the event that one or more investors acting in concert acquire a controlling stake in the Company (change in control), the Management Board members are entitled to an extraordinary termination right that must be exercised within three months following such acquisition. In such case, the Severance Cap is increased to the lower of (i) 100% (for one member of the Management Board 150%) of the Severance Cap and (ii) the total remuneration for the remainder of the term of the contract. However, any rights or entitlements under the long-term incentive plans (see "*18.7 Long-Term Incentive Programs*") remain generally unaffected.

Mr. Buch, Mr. Fittkau and Mr. Riedl are subject to a twelve-month post-contractual non-compete obligation following the termination of their service agreements. During the period of the post-contractual non-compete obligation, Mr. Riedl will receive a gross amount of EUR 2,000,000 as compensation in monthly installments. Mr. Buch and Mr. Fittkau will receive a compensation in monthly installments for the duration of their post-contractual non-compete obligation in the amount of 75% and 50%, respectively, of their last contractual payments (gross). Other income is generally to be offset against the compensation to the extent that the income, together with the compensation, exceeds 110% (or 125% in the case of a forced relocation) of the last contractual benefits received (including STI and LTIP). Any severance payments Mr. Fittkau and Mr. Riedl receive will be fully set-off against the compensation to be paid during the post-contractual non-compete period. Ms. von Roeder is not subject to a post-contractual non-compete obligation, so she could pursue competing activities immediately after the end of her term of office and service agreement.

18.2.3 Remuneration and other benefits of the Management Board members

In the fiscal year 2020, the total remuneration of the Management Board amounted to EUR 12.2 million; the variable portion was EUR 7.5 million. No termination benefits in accordance with IAS 26 Article 17 d) were paid in the fiscal year 2020. The remuneration covers all activities for the Company and its affiliated companies.

According to the service agreements, Mr. Buch's fixed remuneration is EUR 1,250,000 (as of January 2022 EUR 1,300,000) plus an annual bonus of up to EUR 6,812,500 (as of January 2022 EUR 7,350,000), Ms. von Roeder's fixed remuneration currently is EUR 750,000 plus an annual bonus of up to EUR 2,717,500, Mr. Fittkau's fixed remuneration is EUR 750,000 (as of January 2022 EUR 775,000) plus an annual bonus of up to EUR 2,717,500 (as of January 2022 EUR 3,030,000) and Mr. Riedl's fixed remuneration is EUR 700,000 (as of January 2022 EUR 775,000) plus an annual bonus of up to EUR 2,717,500 (as of January 2022 EUR 3,030,000). In connection with and with effect as of Ms. von Roeder's envisaged early re-appointment and taking over of new department responsibilities, it is also envisaged to adapt her remuneration. It is planned that her remuneration shall in future be increased to a level below Mr. Buch's remuneration but above the remuneration level of the other ordinary Management Board members.

Depending on whether certain performance indicators and personal targets agreed upon with the Supervisory Board on an annual basis have been achieved, each Management Board member receives a bonus for which a cap has been set. For the fiscal year 2020, the Supervisory Board has determined that 40% of the short-term variable remuneration is dependent on the achievement of the Group's planned Group FFO target, 15% is dependent on the achievement of the Adjusted NAV/share Group target, and a further 15% is dependent on the achievement of the Adjusted EBITDA Total Group target. In the case of Daniel Riedl, 40% of the BUWOG entitlement to short-term variable remuneration depends on the achievement of the EBITDA Rental + Value-add target and a further 15% on the achievement of the EBITDA Development target. A further 30% of the variable short-term remuneration is dependent on the achievement of personal targets agreed upon with the Supervisory Board. As of the fiscal year 2021, short term variable remuneration will be dependent on the achievement of targets relating to the following performance criteria: (i) Group FFO (weighted at 75%), (ii) Adjusted EBITDA (weighted at 25%) and (iii) if applicable, individual performance targets (taken into account by way of an Individual Performance Factor between 0.8 and 1.2).

In addition, Management Board members participate in long-term incentive plans under which they receive payments based on the performance of defined virtual shares (see "*18.7 Long-Term Incentive Programs*").

Furthermore, the members of the Management Board receive defined fringe benefits, for example in the form of insurance contributions and the private use of communications equipment and company vehicles. The Company pays 50% of the contributions to health and long-term care insurance for the members of the Management Board, up to a maximum of the maximum employer's contribution to statutory health and long-term care insurance for employees, as well as to term life insurances in two cases. Continuation of salary payments in the event of illness is twelve months, but no longer than until the end of the service agreement. In the event of death, the salary is paid to the surviving dependents for up to six months. The members of the Management Board are each granted a company vehicle, as well as means of communication with the right to private use. Travel expenses are reimbursed in accordance with the travel expense guidelines of Vonovia and BUWOG. In the Vonovia service agreement of Daniel Riedl, it was agreed that the costs for travel from Vienna to Bochum and back, as well as any overnight stays in Bochum, would be reimbursed.

In addition, the Management Board members have the option of contributing an annual pension contribution to a deferred compensation model, with the exception of Mr. Riedl, whose annual pension contribution is paid into an external pension fund by BUWOG. The contribution amounts to EUR 400,000 for Mr. Buch, EUR 200,000 for Mr. Riedl, Mr. Fittkau and, at the time of this Prospectus, Ms. von Roeder. Alternatively, at the time of this Prospectus, Ms. von Roeder and Mr. Fittkau may choose to receive an annual pension payment in the amount of EUR 500,000 in cash (if they so choose, they may not participate in the deferred compensation model anymore in the future). In addition, Mr. Riedl receives an additional pension payment of EUR 300,000, which – at his choice – is paid out in cash or can be contributed to the pension fund under defined conditions. If claims are brought against the members of the Management Board for financial losses during the course of their activities, this liability risk is principally covered by the D&O insurance policy for members of the Company's Management Board. In this context, Vonovia follows the requirements to provide for a deductible of 10% of the damage up to an amount of one and a half times the fixed annual compensation for all damage claims within the fiscal year.

There is a contractual cap on the remuneration of the Management Board members, which amounts to a maximum gross total of EUR 11,000,000 for Mr. Buch, a maximum gross total of EUR 5,500,000 for Mr. Fittkau, Ms. von Roeder and Mr. Riedl (in relation to his overall compensation; in relation to his compensation at BUWOG only, the maximum gross total amounts to EUR 1,500,000 p.a.) per fiscal year.

18.2.4 Shareholdings of the Management Board members

At the date of this Prospectus, Mr. Buch holds 197,962, Ms. von Roeder 15,310, Mr. Fittkau 7,700 and Mr. Riedl 18,500 shares in the Company.

18.3 Supervisory Board

In accordance with the Articles of Association and Article 40(3) and 9(1) lit. c(i) of the SE-Regulation together with Section 17 of the SE Implementation Act (*SE-Ausführungsgesetz*) and Sections 95 of the German Stock Corporation Act (*Aktiengesetz*), the Supervisory Board consists of twelve members. All members of the Supervisory Board are appointed by the Company's shareholders' meeting. The shareholders' meeting may appoint substitute members for one or more Supervisory Board members, who may become members of the Supervisory Board if the elected Supervisory Board members leave office before the end of their term. The term of the substitute member expires as soon as a successor for the departing Supervisory Board member is appointed by a majority of at least 75% of the votes cast, but no later than the expiration of the departing Supervisory Board member's term. Re-election of members of the

Supervisory Board is possible. According to the Supervisory Board's internal rules of procedure, persons having reached the age of 75 at the time of the election should generally not be proposed as candidates.

The term of office of a Supervisory Board member shall not continue beyond the end of the annual general shareholders' meeting which discharges the members of the Supervisory Board for the fourth fiscal year following the commencement of the member's term of office; this does not include the fiscal year in which the term of office commences. The appointment of a successor for a member leaving his or her office before the end of his or her term of office is valid for the remainder of the term of office of the departing member, provided that the shareholders' meeting has not determined a shorter term of office for the successor.

Supervisory Board members elected by the shareholders' meeting may be removed by a resolution of the shareholders' meeting if such resolution is approved by at least 75% of the votes cast. Each regular and substitute member of the Supervisory Board may resign by means of a written notification to the Company, represented by the Management Board. The resignation is subject to a two weeks' notice period. The right to resign immediately for good cause remains unaffected. Following the shareholders' meeting in which the members of the Supervisory Board are elected, the Supervisory Board will elect a chairman and a deputy chairman from among its members to serve for the duration of those members' terms. Should the chairman or deputy chairman leave office prior to the expiration of his or her term, the Supervisory Board must elect a new chairman or a deputy chairman from among its members without delay, to complete the remaining term of the departing chairman or deputy chairman.

Under mandatory statutory provisions and the Articles of Association, the Supervisory Board is authorized to establish internal rules of procedure and form committees made up of at least four individuals from its members. The Supervisory Board's current internal rules of procedure entered into force on November 1, 2020. The Supervisory Board is authorized to make amendments to the Articles of Association that only affect their wording. The Supervisory Board must hold two meetings within each half calendar year. Meetings of the Supervisory Board are usually called by its chairman with 14 days' advance notice in writing, by e-mail or facsimile. The day on which the notice is sent out and the day of the meeting itself are not counted in the calculation of the period. In urgent cases, the chairman can shorten the notice period to a minimum of two banking days.

The rules of procedure of the Supervisory Board provide that all Supervisory Board members must have been invited and at least half of the Supervisory Board members must participate in voting on a resolution to constitute a *quorum*. Any member that is present but abstains from voting is deemed to have participated in the vote for purposes of the required quorum. Absent members may participate in the casting of votes pursuant to Article 9(1) lit. c(ii) of the SE-Regulation together with Section 108(3) of the German Stock Corporation Act (*Aktiengesetz*). Resolutions of the Supervisory Board are passed by a simple majority of the votes cast. For purposes of passing a resolution, abstentions do not count as votes cast. If a vote in the Supervisory Board results in a tie, the chairman has a casting vote. The rules of procedure of the Supervisory Board provide that, per the chairman's instruction, resolutions may be passed by submitting votes to the chairman in writing, by telephone or facsimile, or by equivalent means of communication. The Supervisory Board's internal rules of procedure exclude the right of a member of the Supervisory Board to object to such instruction by the chairman.

18.3.1 Members of the Supervisory Board

The table below lists the current members of the Supervisory Board.

Name	Year of birth	Member since(1)	Appointed until(2)	Principal occupation outside of Vonovia
Jürgen Fitschen *Chairman*.......................................	1948	May 9, 2018	2023	Senior advisor of Deutsche Bank AG

Name	Year of birth	Member since[(1)]	Appointed until[(2)]	Principal occupation outside of Vonovia
Prof. Dr. Edgar Ernst *Vice-chairman*	1952	June 18, 2013	2023	President of Deutsche Prüfstelle für Rechnungslegung DPR e.V.
Burkhard Ulrich Drescher	1951	December 12, 2014	2023	Chief executive officer of InnovationCity Management GmbH
Vitus Eckert	1969	May 9, 2018	2023	Attorney, shareholder-managing director of Eckert Fries Carter Rechtsanwälte GmbH
Dr. Florian Funck	1971	August 21, 2014	2023	Member of the management board of Franz Haniel & Cie. GmbH
Dr. Ute Geipel-Faber	1950	November 11, 2015	2023	Business consultant
Daniel Just	1957	June 2, 2015	2023	Chairman of the management board of Bayerische Versorgungskammer
Hildegard Müller	1967	June 18, 2013	2023	President of the German Association of the Automotive Industry
Prof. Dr. Klaus Rauscher	1949	August 1, 2008	2023	Business consultant
Dr. Ariane Reinhart	1969	May 13, 2016	2023	Member of the management board of Continental AG
Clara-Christina Streit	1968	June 18, 2013	2023	Business consultant
Christian Ulbrich	1966	August 21, 2014	2023	President and chief executive officer as well as member of the board of directors of Jones Lang LaSalle Incorporated[(3)]

(1) Prior to the Company's change in legal form into a European company (*Societas Europaea – SE*), the Supervisory Board membership refers to the supervisory board of Deutsche Annington Immobilien AG and the optional supervisory board of Deutsche Annington Immobilien GmbH.

(2) The Supervisory Board members are appointed until the end of the ordinary shareholders' meeting 2023.

(3) Jones Lang LaSalle SE, a fully consolidated subsidiary of Jones Lang LaSalle Incorporated, is acting as valuer of Deutsche Wohnen and has prepared the Deutsche Wohnen Valuation Report.

The following description provides summaries of the curricula vitae of the current members of the Supervisory Board and indicates their principal activities outside the Group to the extent those activities are significant with respect to the Group.

Jürgen Fitschen was born in Harsefeld, Germany, in 1948. After training as a wholesale and export merchant at Jos. Hansen & Söhne, Hamburg, he studied economics at the University of Hamburg and graduated with a degree in business administration. From 1983 to 1987, he worked as a member of the management team at Citibank Germany. From 2001 to 2002, Mr. Fitschen was appointed as a member of the management board of Deutsche Bank AG. From 2002 to 2015, he worked as a member of the group executive committee of Deutsche Bank AG. He also held the office of member of the management board of Deutsche Bank AG from 2009 to 2012 and was appointed co-chief executive officer of Deutsche Bank AG in June 2012. Mr. Fitschen held this office until May 2016. Since June 2016, Mr. Fitschen has been working as senior advisor of Deutsche Bank AG.

Alongside his office as the chairman of the Supervisory Board, Mr. Fitschen is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Group:

Currently:

- Arabesque S-Ray GmbH (member of the advisory board);

- Syntellix AG (member of the supervisory board); and
- Kommanditgesellschaft CURA Vermögensverwaltung GmbH & Co. KG (member of the supervising board).

Previously:

- Deutsche Bank AG (co-chief executive officer); and
- CECONOMY AG (chairman of the supervisory board).

Other than as listed above, Mr. Fitschen has not been a member of any administrative, management or supervisory body of and/or a partner in any other company or partnership outside the Group within the last five years.

Prof. Dr. Edgar Ernst was born in Oberlahnstein, Germany, in 1952. He studied mathematics and business administration at the University of Cologne and received his master's degree in 1977. From 1977 to 1980, he studied operations research at the University of Aachen and obtained a master's degree in 1980. In 1982, he received his PhD in Economics. From 1983 to 1986, Prof. Dr. Ernst worked as a management consultant for McKinsey & Company. From 1986 to 1990, he served as the executive director of corporate development at Quelle, Gustav Schickedanz KG. From 1990 to 2007, Prof Dr. Ernst held various positions at Deutsche Post AG, beginning with his position as executive director of planning and controlling and moving on to become a member of the board and the chief financial officer of Deutsche Post AG from 1991 to 2007. Since 2011, Prof. Dr. Ernst has served as the president of the German Financial Reporting Enforcement Panel (*Deutsche Prüfstelle für Rechnungslegung*, DPR).

In 2007, Prof. Dr. Ernst was appointed honorary professor for economics at the WHU Otto Beisheim School of Management, Vallendar.

Alongside his office as a member of Vonovia's Supervisory Board, Prof. Dr. Ernst is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Group:

Currently:

- TUI AG (member of the supervisory board); and
- METRO AG (member of the supervisory board).

Previously:

- Deutsche Postbank AG (member of the supervisory board);
- Wincor Nixdorf AG (member of the supervisory board); and
- DMG Mori AG (member of the supervisory board).

Other than as listed above, Prof. Dr. Ernst has not been a member of any administrative, management or supervisory body and/or a partner of any other company or partnership outside the Group within the last five years.

Burkhard Ulrich Drescher was born in Neuss, Germany, in 1951. In 1969, Mr. Drescher started his career with Bayer AG as a laboratory assistant and then worked as a laboratory technician. From 1974 to 1978, he studied business economics and chemistry. In 1980, he finished his teacher traineeship and earned a teaching degree for secondary schools. He worked as a teacher up to 1987. In 1987, Mr. Drescher worked as the city treasurer of the city of Grevenbroich, Germany. From 1990 to 1997, he held leading administrative positions in the city of Oberhausen, Germany, ultimately as the *Oberstadtdirektor* (chief executive). From 1997 through 2004, he held the office of the Lord Mayor of the city of Oberhausen. From 2004 through 2006, he was a member of the management board of RAG Immobilien AG. Mr. Drescher served as the chief executive officer of GAGFAH GmbH from 2006 to 2009, after which he established the consultancy firm BDC Consulting GmbH & Co. KG and became managing director of InnovationCity Management GmbH.

Alongside his office as a member of the Supervisory Board, Mr. Drescher is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Group:

Currently:

- Innovation City Management GmbH (chief executive officer); and
- STEAG Fernwärme GmbH (member of the advisory board).

Other than as listed above, Mr. Drescher has not been a member of any administrative, management or supervisory body or a partner of any other company or partnership outside the Group within the last five years.

Vitus Eckert was born in Mödling, Austria, in 1969. Mr. Eckert studied law in Innsbruck, Austria, and graduated with a Master of Laws degree in 1999. In addition, Mr. Eckert is an academically certified expert in European law. Since 1999, he has been working as an attorney and partner in the law firm Eckert Fries Carter Rechtsanwälte GmbH.

Alongside his office as a member of the Supervisory Board, Mr. Eckert is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Group:

Currently:

- STANDARD Medien AG (chairman of the supervisory board);
- Vitalis Food Vertriebs-GmbH (chairman of the supervisory board);
- Simacek Holding GmbH (chairman of the supervisory board);
- Simacek Facility Management Group GmbH (chairman of the supervisory board); and
- S. Spitz GmbH (deputy chairman of the supervisory board).

Previously:

- Adolf Darbo Aktiengesellschaft (chairman of the supervisory board); and
- St. Ambrosius Verwaltungs- und Beteiligungs-Aktiengesellschaft (member of the management board).

Other than as listed above, Mr. Eckert has not been a member of any administrative, management or supervisory body and/or a partner of any other company or partnership outside the Group within the last five years.

Dr. Florian Funck was born in Duisburg, Germany, in 1971. He studied economics at the University of Münster. Dr. Funck obtained his diploma in economics in 1994 and received his doctorate in 1998. From 1999, Dr. Funck began his career at Franz Haniel & Cie. GmbH, *inter alia* in the areas of group accounting, controlling of participations as well as risk management. From 2004 to 2011, Dr. Funck was a member of the management board of TAKKT AG responsible for controlling and financing. Since

September 2011, Dr. Funck has been a member of the management board of Franz Haniel & Cie. GmbH responsible for controlling, accounting, tax and financing.

Alongside his office as a member of the Supervisory Board, Dr. Funck is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Group:

Currently:

- Franz Haniel & Cie. GmbH (member of the management board);
- TAKKT AG (member of the supervisory board); and
- CECONOMY AG (member of the supervisory board).

Previously:

- METRO AG (member of the supervisory board).

Other than as listed above, Dr. Funck has not been a member of any administrative, management or supervisory body of or partner in any other company or partnership outside the Group within the last five years.

Dr. Ute Geipel-Faber was born in Regensburg, Germany, in 1950. She studied economics at the University of Regensburg, graduating in 1975 and receiving her doctorate in 1979. In the period from 1981 to 1984, Dr. Geipel-Faber was an employee of the German Council of Economic Experts. From 1984 to 1991, Dr. Geipel-Faber worked for Citibank AG, Germany, where she was initially head of the economics department and, from 1987, head of the asset management/research department. During her time at HypoVereinsbank from 1991 to 2003, she held the position of head of the investor relations division until 1995 and thereafter assumed managerial responsibilities in real estate asset management. She continued to expand this area of the business, focusing on fund structuring and the management of investment and special funds. In the years 2004 to 2015, Dr. Geipel-Faber was a member of the management at Invesco Real Estate GmbH, responsible for corporate planning, client relations and personnel. Since 2015, Dr. Geipel-Faber has been working as an independent business consultant.

Alongside her office as a member of the Supervisory Board, Dr. Geipel-Faber is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Group:

Currently:

- Bayerische Landesbank (member of the supervisory board).

Other than as listed above, Dr. Geipel-Faber has not been a member of any administrative, management or supervisory body or a partner of any other company or partnership outside the Group within the last five years.

Daniel Just was born in Berlin, Germany, in 1957. He studied business administration at the University of Munich and earned his degree in 1985. From 1985 to 1992, Mr. Just worked at Dresdner Bank, in the areas of corporate customer service, risk management and in the credit department, ultimately serving as an assistant to the management board. From 1993 to 1990, Mr. Just worked with Bayerische Vereinsbank in the field of bank support for South-East Asia and USA as well as in project management for institutional investors. He then joined Bayerische Versorgungskammer as head of the finance department and was appointed deputy management board member in 2000. In 2001, he became a member of the management board and furthermore was the head of the K (capital investments) department. In 2006, Mr. Just was elected vice-chairman of the management board. Since 2013, he has served as the chairman of the management board of Bayerische Versorgungskammer.

Alongside his office as a member of the Supervisory Board, Mr. Just is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Group:

Currently:

- Bayerische Versorgungskammer (chief executive officer);
- DWS Grundbesitz GmbH (deputy chairman of the supervisory board);
- Universal Grundbesitz GmbH (member of the supervisory board); and
- GLL Real Estate Partners GmbH (member of the supervisory board).

Previously:

- RREEF Investment GmbH (deputy chairman of the supervisory board).

Other than as listed above, Mr. Just has not been a member of any administrative, management or supervisory body of or partner in any other company or partnership outside the Group within the last five years.

Hildegard Müller was born in Rheine, Germany, in 1967. She began her career as an apprentice at Dresdner Bank AG from 1987 to 1989 and then proceeded to study business administration at the Heinrich-Heine University in Düsseldorf from 1989 to 1994. In 1995, Ms. Müller returned to Dresdner Bank AG, where, ultimately, she worked as a division manager. From 1998 to 2002, Ms. Müller was the federal chairwoman of the Young Union (*Junge Union*), the youth organization of Germany's Christian Democrats. She represented Düsseldorf in the German Federal Parliament (*Bundestag*) from 2002 until 2008. In 2005, she was appointed Minister of State in the Federal Chancellery (*Staatsministerin bei der Bundeskanzlerin*), where her responsibilities included coordinating the cooperation between Germany's federal and state governments, as well as managing the efforts to reduce bureaucracy and administrative burdens. In October 2008, Ms. Müller resigned as Minister of State in the Federal Chancellery and as Member of Parliament and became chairwoman of the executive board of the German Federation of Energy and Water Management (*Bundesverband der Energie- und Wasserwirtschaft, BDEW*). In May 2016, Ms. Müller was appointed to the management board of innogy SE, where she held the position of COO Grid & Infrastructure. Since February 2020, Ms. Müller has been president of the German Association of the Automotive Industry (*Verband der Automobilindustrie e.V.*).

Alongside her office as a member of the Supervisory Board, Ms. Müller is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Group:

Currently:

- Verband der Automobilindustrie e.V. (president);
- Siemens Energy AG (member of the supervisory board);
- Siemens Energy Management GmbH (member of the supervisory board); and
- RAG-Stiftung (member of the board of trustees).

Previously:

- Bundesverband der Energie- und Wasserwirtschaft (chairwoman of the executive board); and
- innogy SE (member of the management board).

Other than as listed above, Ms. Müller has not been a member of any administrative, management or supervisory body of and/or partner in any other company or partnership outside the Group within the last five years.

Prof. Dr. Klaus Rauscher was born in Lorenzreuth, Germany, in 1949. He studied law at the University of Erlangen from 1968 to 1971 and in 1975 received his doctorate in Law. From 1975 to 1988, Prof. Dr. Rauscher served in the Bavarian Ministry of Finance, later as director of the Department of Economics. From 1988 to 1990, he was director of the Bavarian state premier's office. From 1991 to 2001, Prof. Dr. Rauscher was a member of the management board of the Bayerische Landesbank. In 2001, he was appointed chairman of the management board at HEW (Hamburg's electricity supplier) and from 2002 to 2007, he served as chief executive officer at Vattenfall Europe AG (successor of HEW after a merger with eastern German utilities companies). Further, Prof. Dr. Rauscher works as an independent business consultant.

In 2007, Prof. Dr. Rauscher was appointed honorary professor at the faculty of mechanical science and engineering at the Technical University of Dresden.

Alongside his office as a member of the Supervisory Board, Prof. Dr. Rauscher is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Group:

Previously:

- innogy SE (member of the supervisory board);
- Drägerwerk AG & Co. KGaA (member of the supervisory board);
- Dräger Safety GmbH (member of the supervisory board); and
- Drägerwerk Verwaltungs AG (member of the supervisory board).

Other than as listed above, Prof. Dr. Rauscher has not been a member of any administrative, management or supervisory body of or partner in any other company or partnership outside the Group within the last five years.

Dr. Ariane Reinhart was born in Hamburg, Germany, in 1969. She studied law at the University of Hamburg, completing her doctorate in law in 2000. From 1998 to 1999, Dr. Reinhart worked at the International Labour Organization in Geneva in the field of labor law and labor relations. In 1999, she moved to the Volkswagen Group, where over the course of 15 years, she worked in various positions in the field of human resources – including three years spent in Brazil. From 2012 to 2014, Dr. Reinhart was the director of human resources at Bentley Motors Ltd. in Crewe, England. Since October 1, 2014, Dr. Reinhard has been the director of human resources and director of labour relations of the automotive supplier Continental AG, Hanover, Germany.

Alongside her office as a member of the Supervisory Board, Dr. Ariane Reinhart is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in only the following companies and partnerships outside the Group:

Currently:

- Continental AG (member of the supervisory board).

Other than as listed above, Dr. Ariane Reinhart has not been a member of any administrative, management or supervisory body or a partner of any other company or partnership outside the Group within the last five years.

Clara-Christina Streit was born in Syracuse, New York (United States), in 1968. In 1991, she completed her master's degree in Business Administration at the University of St. Gallen, Switzerland. She began her career as a consultant at McKinsey & Company in 1992 and has held various positions at McKinsey & Company since. She was elected to principal (partner) in 1997 and to director (senior partner) in 2003. From 2012 to 2014, Ms. Streit worked as a senior advisor for McKinsey & Company, where she specialized in financial institutions consulting. In 2011, Ms. Streit became a member of the supervisory board of Vontobel Holding, Switzerland. In 2013, she became an adjunct professor of management at the Lisbon Nova and Catolica Universities, which offer a special MBA program. Ms. Streit works as an independent business consultant.

Alongside her office as a member of the Supervisory Board, Ms. Streit is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Group:

Currently:

- NN Group N.V. (member of the supervisory board);
- Jerónimo Martins SGPS S.A. (member of the supervising board);
- Vontobel Holding AG (member of the supervising board); and
- Deutsche Börse AG (member of the supervisory board).

Previously:

- Delta Lloyd N.V. (member of the supervisory board); and
- UniCredit S.p.A. (member of the supervising board).

Other than as listed above, Ms. Streit has not been a member of any administrative, management or supervisory body of or a partner in any other company or partnership outside the Group within the last five years.

Christian Ulbrich was born in Hamburg, Germany, in 1966. He studied economics at the University of Hamburg. In 1989, Mr. Ulbrich began his career at Bank Mees & Hope NV, where he ultimately held the position of head of commodity finance. From 1992 to 1994, he served as head of the corporate clients division and deputy manager of the Hamburg branch of Rabobank Deutschland AG. From 1995 to 1997, he worked at Bank Companie Nord AG, ultimately as a member of the executive board. Thereafter, from 1997 to 2005, he acted as the managing director of HIH Hamburgische Immobilien Handlung GmbH. In 2005, he joined Jones Lang LaSalle Incorporated as managing director for Germany. In 2009 he was appointed chief executive officer for the EMEA region and also became a member of the global executive board of Jones Lang LaSalle Incorporated. In 2016, he became a member of the board of directors of Jones Lang LaSalle Incorporated and also assumed the role of president and chief executive officer.

Alongside his office as member of the Supervisory Board, Mr. Ulbrich is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Group:

Currently:

- President and chief executive officer as well as member of the board of directors of Jones Lang LaSalle Incorporated.

Other than as listed above, Mr. Ulbrich has not been a member of any administrative, management or supervisory body of or a partner in any other company or partnership outside the Group within the last five years.

The members of the Supervisory Board can be reached at the Company's office at Universitätsstraße 133, 44803 Bochum, Germany (tel. +49 (0) 234-314-0).

18.3.2 Supervisory Board committees

Under the Articles of Association, the Supervisory Board may form committees from among its members. Under the Supervisory Board's rules of procedure (Sections 8 through 11), the Supervisory Board shall form an Audit Committee, an Executive and Nomination Committee and a Finance Committee. Other committees may be formed, if necessary. The Supervisory Board's decision-making authority may be delegated to these committees to the extent permitted by law. The following committees have been established by the Supervisory Board:

The ***Audit Committee*** (*Prüfungsausschuss*) is concerned, in particular, with the oversight of the Company's accounting process and the effectiveness of its internal control system, internal auditing system, as well as the audit of the annual financial statements, including required independence of the auditor and additional services provided by the auditor, the execution of audit agreements with the auditor, setting focus points for the audit and agreeing audit fees and – unless another committee is entrusted therewith – compliance. The Audit Committee prepares the Supervisory Board's resolutions on the annual financial statements (and, if applicable, the consolidated financial statements) and, in place of the Supervisory Board, enters into agreements with the auditor (in particular the issuing of the audit engagement letter, the determination of key audit areas and the fee agreement). The Audit Committee shall take appropriate measures to monitor the independence of the auditor. The Chairman of the Audit Committee shall have special knowledge and experience in the application of accounting principles and internal control procedures and shall be familiar with the auditing of the financial statements. Furthermore, the chairman of the committee shall be independent of the Company, the Management Board and controlling shareholders. The Chairman of the Supervisory Board shall not chair the Audit Committee.

The current members of the Audit Committee are:

Name	Position
Prof. Dr. Edgar Ernst	Chairman
Burkhard Drescher	Member
Dr. Florian Funck	Member
Vitus Eckert	Member

Pursuant to Section 107(4) of the German Stock Corporation Act (*Aktiengesetz*), at least one member of the Audit Committee must have expertise in the field of accounting and at least one other member of the Audit Committee must have expertise in the field of auditing (Section 100(5) of the German Stock Corporation Act (*Aktiengesetz*)). Members of the Supervisory Board and the Audit Committee are to be regarded as independent if they have no business or personal relationship with the Company, its Management Board, a controlling shareholder or an enterprise associated with the latter that could give rise to a material and not merely temporary conflict of interest. With regard to the Supervisory Board and the Audit Committee of the Company, it is considered that Prof. Dr. Ernst and Dr. Funck have the appropriate expertise and independence.

The ***Executive and Nomination Committee*** (*Präsidial- und Nominierungsausschuss*) shall debate key issues and submits proposals to the Supervisory Board with regard to the appointment and dismissal of members of the Management Board and the appointment of the Chief Executive Officer, as well as with regard to the conclusion, amendment and termination of service agreements with members of the Management Board and the introduction and amendment of the remuneration system for the Management Board. It makes recommendations to the Supervisory Board for proposals of the Supervisory Board to the Company's shareholders' meeting with regard to the election of Supervisory Board members. The Executive and Nomination Committee consists of the chairman of the Supervisory Board and four additional members to be elected by the Supervisory Board. The chairman of the Supervisory Board shall be the chairman of the Executive Committee and Nomination Committee.

The current members of the Executive and Nomination Committee are:

Name	Position
Jürgen Fitschen	Chairman
Hildegard Müller	Member
Prof. Dr. Klaus Rauscher	Member
Clara-Christina Streit	Member
Dr. Ariane Reinhart	Member

The ***Finance Committee*** (*Finanzausschuss*) shall prepare the Supervisory Board's resolutions on the financial and investment policy, including the capital structure of Group companies and the payment of dividends as well as on the general acquisition and divestiture policy including the acquisition and sale of individual participations of strategic importance. The Finance Committee shall further resolve on the approval the Company's financial strategy and the general guidelines and policies for implementing this strategy, including (i) the handling of currency risks, interest rate risks, liquidity risks and other financial risks and (ii) the handling of credit risks and the implementation of the financing principles (where appropriate). The Finance Committee shall consist of the Chairman or the Vice Chairman of the Supervisory Board and four additional members to be elected by the Supervisory Board.

The current members of the Finance Committee are:

Name	Position
Clara-Cristina Streit	Chairman
Jürgen Fitschen	Member
Dr. Ute Geipel-Faber	Member
Daniel Just	Member
Christian Ulbrich	Member

18.3.3 Compensation of Supervisory Board members

The remuneration of the Supervisory Board members is regulated by Section 13 of the Articles of Association and consists of fixed annual payments. The Supervisory Board members' remuneration takes into account the responsibilities and scope of their activities as well as the economic situation of the

Company. Each member of the Supervisory Board receives an annual fixed payment of EUR 100,000. The chairman of the Supervisory Board receives twice the amount and the deputy chairman of the Supervisory Board receives one and a half times this amount. Besides this, the Audit Committee members receive an additional annual fixed compensation in the amount of EUR 40,000, the Executive and Nomination Committee members in the amount of EUR 20,000, and the Finance Committee members in the amount of EUR 20,000; the chairperson will, in each case, receive twice the amount. The total remuneration payable to Supervisory Board members (including any compensation for the membership in supervisory boards and similar controlling bodies of Group companies) is capped at EUR 300,000 per Supervisory Board member per calendar year.

Supervisory Board members are also reimbursed for their out-of-pocket expenses and are covered by D&O insurance as described under "*13.10 Insurance Coverage*".

In fiscal year 2020, the aggregate remuneration of the Supervisory Board totaled EUR 1.8 million.

The shareholders' meeting on April 16, 2021 confirmed the compensation of the members of the Supervisory Board with 99.34 % votes cast.

18.3.4 Shareholdings of the Supervisory Board members

At the date of this Prospectus, only Dr. Ute Geipel-Faber 1,495, Ms. Streit 2,260 and Mr. Ulbrich 21,828 held shares in the Company.

18.4 Certain Information Regarding the Members of the Management Board and the Supervisory Board

In the last five years, no member of the Management Board or the Supervisory Board has been convicted of fraudulent offences.

In the last five years, no member of the Management Board or the Supervisory Board has been associated with any bankruptcy, receivership, liquidation or companies put into administration acting in their capacities as members of any administrative, management or supervisory body or as a senior manager.

In the last five years, no official public incriminations have been made by statutory or legal authorities or the regulation authorities (including designated professional bodies) against the members of the Management Board or the Supervisory Board, nor have sanctions been imposed by the aforementioned authorities. No court has ever disqualified any of the members of the Management Board or the Supervisory Board from acting as a member of the administrative, management, or supervisory body of an issuer, or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

There are no conflicts of interest or potential conflicts of interest between the members of the Management Board and the Supervisory Board *vis-à-vis* the Company and their private interests, membership in governing bodies of companies, or other obligations.

Except for Mr. Riedl (in case of early termination of his service agreement with BUWOG), no members of the Management Board or the Supervisory Board have entered into a service agreement with a Group company that provides for benefits upon termination of service or office. The Company (and in case of Mr. Riedl, additionally BUWOG) only provides for severance payments to its executives in the case of an early termination of the service agreement (including, amongst others, a termination following a change of control), which, under all circumstances, are capped at the amount of compensation owed under the remaining contractual term of the respective service agreement. With the exception of Mr. Buch, Mr. Fittkau and Mr. Riedl, the members of the Management Board are not bound by non-compete obligations following the end of their term of office and the termination of their service agreements, it being understood that the members of the Management Board participate in long-term incentive plans (see "*18.7 Long-Term Incentive Programs*").

There are no family relationships between the members of the Management Board and of the Supervisory Board, either among themselves or in relation to the members of the other body.

18.5 Shareholders' Meeting

Pursuant to Article 54 para. 1 of the SE-Regulation (*SE-Verordnung*), the annual shareholders' meeting takes place within the first six months of each fiscal year and must be held, as the convening body shall decide, at the Company's registered office or in a German city with more than 100,000 residents (Articles 53 and 54 para. 2 of the SE-Regulation (*SE-Verordnung*) together with Section 175 of the German Stock Corporation Act (*Aktiengesetz*)). Except where other persons are authorized to do so by law and by the Articles of Association, the shareholders' meeting shall be convened by the Management Board. Notice must be issued in the German Federal Gazette (*Bundesanzeiger*) at least 30 days before the day of the shareholders' meeting; the day of the meeting itself and the day of the receipt of the notice not being included when calculating this period.

A shareholders' meeting may be convened by the Management Board, the Supervisory Board, or may also be requested by shareholders whose shares collectively make up 5% of the capital stock. Shareholders or shareholder associations may solicit other shareholders to make such a request, jointly or by proxy, in the shareholders' forum of the German Federal Gazette (*Bundesanzeiger*), which is also accessible via the internet site of the German Company Register (*Unternehmensregister*). If, following a request made by shareholders whose shares collectively make up 5% of the capital stock, a shareholders' meeting is not held in due time, the competent local court may authorize the shareholders who have requested it or their representatives to convene a shareholders' meeting.

Pursuant to the Articles of Association, shareholders are entitled to participate in the shareholders' meeting and to exercise their voting rights only if they are registered in the Company's shareholder register, and if their application for participation is received by the Company by the end of the sixth day prior to the date of the shareholders' meeting, unless a shorter period of time was set forth in the convocation of the shareholders' meeting, in text form in the German or English language, the day of the meeting itself with the day of the receipt of the notice not being included when calculating this period. The chairman of the shareholders' meeting is authorized to permit the transmission of the shareholders' meeting, participation in resolutions and the exercise of the shareholders' other rights via electronic or other media where this is legally permitted. Voting rights may be exercised by proxy. The grant of a proxy, revocation or proof of power of attorney to the Company must be in text form, facilitations of which may be granted in the notice. Such facilitations may be limited to the proof of power of attorney to the proxies nominated by the Company. The Company will provide at least one electronic method by which such proof of proxy may be submitted. The Management Board is authorized to enable shareholders to exercise all or specific rights wholly or in part by electronic means of communication without being present in person or through an authorized representative. The Management Board is further authorized to enable shareholders to cast their votes without participating in person in the shareholders' meeting, in writing or by electronic means of communication (*Briefwahl*). If the Management Board makes use of this authority, it must fix the details and list them in the invitation to the shareholders' meeting.

Each share entitles its holder to one vote at the shareholders' meeting. Unless otherwise stipulated by mandatory statutory provisions or provisions of the Articles of Association, resolutions of the shareholders' meeting are adopted by a simple majority of the votes cast or, if a capital majority is required in addition to a majority of votes, a simple majority of the registered share capital represented at the meeting is sufficient, to the extent that this is legally possible.

According to Articles 5, 57 and 59 of the SE-Regulation (*SE-Verordnung*), and Section 51 of the German SE Implementation Act (*SE-Ausführungsgesetz*), together with the current version of the German Stock Corporation Act (*Aktiengesetz*), resolutions of fundamental importance (*grundlegende Bedeutung*) require both a majority of votes cast and a majority of at least 75% of the registered share capital represented at the vote on the resolution. Resolutions of fundamental importance include:

- amendments, other than editorial amendments, to the Articles of Association;
- approval of contracts within the meaning of Section 179a of the German Stock Corporation Act (*Aktiengesetz*) (transfer of the entire assets of the Company) and management actions of special significance that require the approval of the shareholders' meeting in compliance with legal precedents;
- capital increases, including the creation of conditional or authorized capital;
- issuance of, or authorization to issue, convertible and profit-sharing certificates and other profit-sharing or jouissance rights;
- exclusion of subscription rights as part of an authorization on the use of authorized capital;
- capital reductions;
- withdrawal of shares pursuant to Article 5 of the SE-Regulation in conjunction with Section 237(2) of the German Stock Corporation Act (*Aktiengesetz*);
- liquidation of the Company;
- continuation of a company liquidated by way of a resolution on liquidation or expiry of the time period;
- approval to enter into, amend or terminate affiliation agreements (*Unternehmensverträge*);
- integration of a stock corporation into another stock corporation and squeeze-out of the minority shareholders; and
- action within the meaning of the German Transformation Act (*Umwandlungsgesetz*).

Neither German law nor the Articles of Association limit the right of foreign shareholders or shareholders not domiciled in Germany to hold shares or exercise the voting rights associated therewith.

18.6 Corporate Governance

The Code makes proposals concerning the management and supervision of German listed companies. It is based on internationally and nationally recognized standards of good, responsible governance. The Code contains recommendations ("shall provisions") and suggestions ("should provisions") for corporate governance in relation to shareholders and the shareholders' meeting, the management board and the supervisory board, transparency and accounting and auditing of financial statements. The Code's recommendations or suggestions are not obligatory, although deviations from the recommendations (but not from the suggestions) are required to be published by the management board and the supervisory board of listed companies in an annual announcement pursuant to Section 161 of the German Stock Corporation Act (*Aktiengesetz*). This announcement regards whether or not the recommendations in the Code were complied with and are complied with, or explains which recommendations have not been complied with and are not being applied and the reasons underlying this non-compliance (***Declaration of Conformity***). The Declaration of Conformity must be publicly available on the Company's internet site at all times. The current version of the Code was adopted on December 16, 2019 and published in the German Federal Gazette (*Bundesanzeiger*) on March 20, 2020.

Since the listing of the shares of the Company on the regulated market segment (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange in July 2013, the Company has been obliged to issue a Declaration of Conformity relating to the Code.

On November 30, 2020, the Company declared that it complies with all recommendations made in the Code, apart from the following, which declaration remains valid as at the date of this Prospectus:

- Pursuant to G.13 clause 1 of the Code, payments to a Management Board's member on premature termination of his service agreement shall not exceed the value of two years' remuneration (severance payment cap) and shall not remunerate more than the remaining term of the service agreement. Section 4.2.3 para. 5 of the 2017 version of the Code recommended that benefits in the event of premature termination of a Management Board member's service agreement due to a change of control should be limited to 150% of the severance payment cap. The Code no longer contains an explicit recommendation for benefits in the event of a change of control. It is unclear whether the general recommendation G.13 sentence 1 of the Code on severance payments applies in this respect. The existing Management Board service agreements already largely comply with the general recommendation G.13 sentence 1 of the Code. However, the Supervisory Board reserves the right, in the case of agreement extensions and future agreement conclusions, to reach agreements that comply with recommendation No. 4.2.3 para. 5 of the Code as amended in 2017 in order to be able to take into account interests in the protection of the Company as a going concern and the particularities of individual cases. It is therefore declared as a precaution that recommendation G.13 sentence 1 of the Code is not complied with.
- According to G.13 sentence 2 of the Code, severance payments in the event of a post-contractual non-compete obligation should be offset against the waiting period compensation. Even before the Code came into force, post-contractual non-compete agreements had been concluded with individual Management Board members which did not include a corresponding offsetting provision. For agreement extensions and future agreement conclusions, the Supervisory Board reserves the right to decide on a case-by-case basis on the offsetting of severance payments against waiting period compensations in the interest of flexibility or for reasons of protection of the Company as a going concern. It is therefore declared that recommendation G.13 sentence 2 of the Code is not complied with.

18.7 Long-Term Incentive Programs

18.7.1 Members of the Management Board

All Management Board members participate in the Long Term Incentive Plan (***LTIP***) for Management Board members. The LTIP is a virtual share program with a long-term incentive effect.

Each Management Board member is offered an annual remuneration component with a long-term incentive effect and balanced risk-reward profile in the form of virtual shares (***Performance Shares***) in accordance with the terms of the LTIP, which does not provide for early payment in the event of termination of the agreement earlier than provided for in the Management Board agreement.

For each assessment period of generally four years (***Performance Period***) the Supervisory Board offers the Management Board members the prospect of a target amount to be determined in Euros (***Allocation Value***). Rolf Buch is granted Performance Shares with an annual grant gross value of EUR 2,375,000 (as of January 2022 EUR 2,580,000) and Mr. Fittkau, at the time of this Prospectus Ms. von Roeder and Mr. Riedl are each granted EUR 900,000 (gross) (Mr. Fittkau and Mr. Riedl as of January 2022 EUR 1,025,000).

The actual amount paid out is calculated on the basis of the Performance Shares allocated from this Allocation Value, the total target achievement during the Performance Period and the development of Vonovia's share price including dividends paid during the Performance Period. If the share price remains unchanged and the target is achieved by 100%, the actual payment corresponds to the Allocation Value (plus dividends paid during the Performance Period).

The initial number of Performance Shares for the respective Performance Period equals the Allocation Value divided by the initial share price, rounded up to the next full share.

The overall target achievement level for the Performance Period starting in the fiscal year 2020 is determined according to the following performance targets, with each target weighted at 25%.

Key performance indicator	**Definition**
Relative Total Shareholder Return (***RTSR***)	Describes the difference between the Company's TSR, *i.e.* the percentile difference between the share price at the beginning of the Performance Period, taking into consideration the reinvested dividends, and the performance of the FTSE EPRA/NAREIT Germany Index (Performance Index) at the end of the Performance Period. For the purpose of price smoothing, the average closing price of the share over the last 60 days prior to and after the Performance Period is used as the applicable share price.
Adjusted NAV performance per share	Describes the performance or the growth of the NAV per share between the fiscal year prior to the beginning of the Performance Period and the last fiscal year of the Performance Period. The NAV per share of a fiscal year is determined by dividing the NAV of that fiscal year by the number of shares at the end of the relevant fiscal year. NAV performance per share is measured on the basis of the annual growth rate (Compound Annual Growth Rate, ***CAGR***).
FFO 1 performance per share	Describes the performance or the growth of the Group's FFO 1 per share between the fiscal year prior to the beginning of the Performance Period and the last fiscal year of the Performance Period. The FFO 1 per share of a fiscal year is determined by dividing the FFO 1 of that fiscal year by the number of shares at the end of the relevant fiscal year. FFO 1 performance per share is measured on the basis of the annual growth rate (CAGR).
Customer Satisfaction Index (***CSI***)	Describes the effectiveness and sustainability of the services provided to Vonovia's customers, which is represented by the CSI. The CSI is generated by systematic customer surveys carried out in periodic intervals and reflects the customers' perception and acceptance of Vonovia's services.

At the beginning of any one Performance Period, the Supervisory Board sets a target value for each of the four performance targets, the achievement of which results in a 100% target achievement. Furthermore, a minimum value of 50% and a maximum value of 200% is set as target achievement for each of the performance targets. If the set minimum for a particular target is not achieved, target achievement for that target equals 0%.

The Supervisory Board has the right and duty to adjust the calculation modalities appropriately in the event of significant changes within the reference group.

At the end of the respective Performance Period, the initial number of Performance Shares is multiplied by the overall target achievement level and rounded up to the next full share. This multiplication results in the final number of Performance Shares. The final number of Performance Shares is multiplied by the final share price, which by definition includes the sum of dividends paid per share during the Performance Period, based on the final number of Performance Shares. This multiplication results in the amount to be paid out.

The amount to be paid out is limited to 250% of the Allocation Value (cap).

Starting in 2021, the requirements of Vonovia's shareholders and stakeholders will be taken into account in the form of including KPIs. This will be done by introducing the SPI as a KPI (replacing the CSI), which includes the most important sustainability topics from the ESG areas. These include the CO_2 intensity of the existing portfolio, low-barrier (partial) modernization, energy efficiency of new buildings, increasing customer and employee satisfaction, and diversity among managers. At the same time, the previous performance target Development of Adjusted NAV per Share will be replaced by the performance target Development of Net Tangible Assets per Share. If the Management Board service agreement ends within a Performance Period due to expiry, death of the Management Board member or revocation of the appointment, the initial number of Performance Shares for the year in which the contract ends is reduced proportionately and the amount to be paid out is otherwise determined and paid out unchanged on this basis.

If the Management Board service agreement is terminated by the Company for cause in accordance with Section 626(1) of the German Civil Code (*Bürgerliches Gesetzbuch*) or if the Management Board member resigns without the Company having given cause for this, all rights and entitlements under Performance Shares for current Performance Periods shall lapse with immediate effect.

In the event of a change of control, the LTIP will be adjusted or replaced by a comparable agreement in line with the value at the time of the change of control. If a member of the Management Board exercises his special right of termination and his Management Board service agreement ends, all current Performance Periods end on the date of termination of the Management Board service agreement. For the conversion of the Performance Shares into a cash amount, a total target achievement level of 100% is assumed and the last offer price at the change of control is used as the final share price.

18.7.2 Incentive programs below Management Board level

The Company has introduced various incentive programs for employees below Management Board level.

18.7.2.1 Executives below Management Board Level

In 2016, a new LTIP was established for the first management level, which is essentially based on the LTIP established for the Management Board in 2015, including the basis of the identical performance targets and the determination of the target values with regard to the minimum value, the target achievement value and the maximum value.

The value of the total virtual shares granted under the LTIP but not yet paid out at December 31, 2020 was determined by an external evaluator using recognized actuarial methods.

Under IFRS, the LTIP resulted in an expense of EUR 4.4 million in 2020.

18.7.2.2 Employees

In 2014, an employee share participation program was concluded on the basis of a company agreement. The program started in the first quarter of 2015, the allocated shares are subject to a holding period of six months, whereby the costs of deposit are borne by Vonovia. The shares are allocated to the participating employees depending on their gross annual salary with a value of EUR 90.00 to a maximum of EUR 360.00 without personal contribution.

The employee share participation program resulted in a total expense of EUR 2.3 million in 2020, which is directly offset against the capital reserve.

19. CERTAIN RELATIONSHIPS AND RELATED-PARTY TRANSACTIONS

In accordance with IAS 24 (Related Party Disclosures), transactions with individuals or entities that control or are controlled by the Group must be disclosed unless they were already included as consolidated entities in the Audited Consolidated Financial Statements. In addition, there is an obligation to disclose transactions with associates and persons who have control, joint control or significant influence over the financial and operating policies of the Group, including close family members and intermediate entities, or are a member of the Management Board or the Supervisory Board or hold a key management position.

Set forth below is a presentation of the transactions with related parties for the nine-month period ending September 30, 2021, the fiscal years ended December 31, 2020, December 31, 2019 and December 31, 2018 as well as for the fiscal year 2021 up to the date of this Prospectus.

19.1 Transactions with Related Parties

Vonovia had business relationships with unconsolidated subsidiaries in the fiscal years ended December 31, 2020, December 31, 2019 and December 31, 2018 and the fiscal year 2021 up to and including the date of this Prospectus. These transactions with associated companies resulted from the normal exchange of deliverables and services. As of September 30, 2021, the related parties of Deutsche Wohnen were also included for the first time. The table below shows these transactions for the periods indicated:

	Nine-month period ended September 30, 2021	**Fiscal year ended December 31,**		
		2020	**2019**	**2018**
	(unaudited)	*(audited)*		
	(EUR in millions)			
Purchased services	7.6	5.8	2.2	0.6
Receivables	929.0	8.9	0.3	0.4
Liabilities	0.3	3.0	3.0	1.5

19.2 Relationships with Members of the Management Board and the Supervisory Board

At Vonovia, the individuals in key positions pursuant to IAS 24 include the members of the Management Board and the Supervisory Board.

The emoluments to key management personnel, which are subject to a disclosure requirement under IAS 24, include the remuneration of the active members of the Management Board and the Supervisory Board. The active members of the Management Board and Supervisory Board received the following remuneration for the periods indicated:

	Fiscal year ended December 31,		
	2020	**2019**	**2018**
	(audited)		
	(EUR in millions)		
Short-term employee benefits (without share-based payment)	7.9	7.2	6.5
Post-employment benefits	2.2	1.7	1.3
Termination benefits	1.4	0.5	-

Share-based payments	8.4	5.9	3.2
Total	**19.9**	**15.3**	**11.0**

The service costs resulting from provisions for pensions for the active members of the Management Board is reported under post-employment benefits. The disclosure on share-based payments is based on the expenses in the fiscal years ended December 31, 2020, December 31, 2019 and December 31, 2018. For further information on the remuneration, shareholding and share-based compensation of the members of the Management Board and the Supervisory Board for the fiscal year ended December 31, 2020 and the fiscal year 2021 up to and including the date of this Prospectus, see "*18.2 Management Board*" and "*18.3 Supervisory Board*".

The members of the Management Board and the Supervisory Board were not granted any loans or advances.

Apart from the relationships stated above, Vonovia did not have any other significant business relationships with related parties.

20. TAXATION IN GERMANY

The following section outlines certain key German taxation principles which generally are or can be relevant to the acquisition, holding or transfer of shares or subscription rights both by a shareholder (an individual, a partnership or a corporation) that has a tax domicile in Germany (that is, whose place of residence, habitual abode, registered office or place of management is in Germany) and by a shareholder without a tax domicile in Germany. The information is not comprehensive or exhaustive and does not constitute a definitive explanation of all possible aspects of taxation that could be relevant for shareholders. The information is based on the tax law in force in Germany as of the date of this Prospectus (and its interpretation by administrative directives and courts) as well as typical provisions of double taxation treaties that Germany has concluded with other countries. Tax law can change, sometimes retrospectively. Moreover, it cannot be ruled out that the German tax authorities or courts may consider an alternative assessment to be correct that differs from the one described in this section.

This section cannot serve as a substitute for tailored tax advice to individual shareholders. Shareholders are therefore advised to consult their tax advisors regarding the tax implications of the acquisition, holding or transfer of shares or subscription rights and regarding the procedures to be followed to achieve a possible *reimbursement* of German withholding tax (*Kapitalertragsteuer*). Only such advisors are in a position to take the specific tax-relevant circumstances of individual shareholders into due account.

Shareholders are in particular subject to taxation in connection with the holding of shares (see "*20.1 Taxation of Dividends*"), the sale *or* disposal of shares or subscription rights (see "*20.2 Taxation of Capital Gains*") and the gratuitous transfer of shares or subscription rights (see "*20.5 Inheritance and Gift Tax*").

20.1 Taxation of Dividends

20.1.1 No taxation in case of payments from a tax-recognized contribution account

If and to the extent the Company pays dividends from the tax-recognized contribution account (*steuerliches Einlagekonto*), such dividends are not subject to withholding tax, personal income tax (*Einkommensteuer*) or corporate income tax (*Körperschaftsteuer*), as *the* case may be (including solidarity surcharge (*Solidaritätszuschlag*) and church tax (*Kirchensteuer*), if applicable). Any dividends paid out of a tax-recognized contribution account would, however, lower the acquisition costs of the shares, which may result in a higher amount of taxable capital gains upon the shareholder's sale of the shares. Special rules apply to the extent that dividends from the tax-recognized contribution account exceed the then lowered acquisition costs of the shares (details are outlined below).

20.1.2 Withholding tax

Dividends distributed by the Company that are not paid out of the tax-recognized contribution account (*steuerliches Einlagekonto*) are generally subject to a withholding tax at a rate of 25% plus a solidarity surcharge of 5.5% *thereon* (*i.e.* a total of 26.375%) and church tax, if applicable. The basis for the dividend withholding tax is the dividend resolved for distribution by the shareholders' meeting.

If the shares are admitted to be held in a collective safe custody (*Sammelverwahrung*) with a central securities depository (*Wertpapiersammelbank*) pursuant to Section 5 of the German Act on Securities Accounts (*Depotgesetz*) and are deposited with such central securities depository for collective safe custody in Germany, the Company is generally not responsible for withholding the tax at source. Instead, the tax is withheld for the account of the shareholder and remitted to the competent tax office by one of the following entities (each of the following entities a ***Dividend Paying Agent***): the domestic bank or financial services institution (*inländisches Kredit- oder Finanzdienstleistungsinstitut*) or the domestic securities institution (*inländisches Wertpapierinstitut*) (including German branches of foreign banks or financial service institutions) which holds the shares in custody or that administers the shares and that disburses or credits the dividends to the shareholder or that disburses the dividends to a foreign entity, or by the central securities depositary (*Wertpapiersammelbank*) holding the collective deposit in custody if it disburses the dividends to a foreign entity. If the shares are not held in a collective safe custody with a German central securities depository (*Wertpapiersammelbank*) or if the shares are held in a collective safe custody (*girosammelverwahrt*) by the central securities depository (*Wertpapiersammelbank*) and treated as shares being held separately (*abgesetzte Bestände*), then the Company is responsible for withholding the tax at source and the Company consequently has to withhold and remit the tax to the competent tax office.

The withholding tax must generally be deducted regardless of whether and to what extent the dividend is exempt from taxation at the level of the shareholder, whether the shareholder must report the dividend in a (*corporate*) income tax return and whether the shareholder is resident in Germany or in a foreign country.

In case of dividends distributed to a company within the meaning of Art. 2 of the Council Directive No. 2011/96/EU of November 30, 2011 (***EU Parent Subsidiary Directive***) domiciled in another Member State of the European Union, an exemption from or a refund of withholding tax may be granted by the Federal Central Tax Office (*Bundeszentralamt für Steuern*) upon request of the dividend's creditor if further prerequisites are satisfied. This also applies to dividends distributed to a permanent establishment located in another Member State of the European Union of such a parent company or of a parent company tax resident in Germany if the participation in the Company is part of the respective permanent establishment's business assets. The key prerequisite for the application of the EU Parent Subsidiary Directive is that the shareholder has held a direct participation in the share capital of the Company of at least 10% for at least twelve months. If there is a holding of at least 10% of the Company's registered share capital and the shares held in collective safe custody by Clearstream are treated as shares that are being held separately (*abgesetzte Bestände*), the German tax authorities will not object if the main paying agent (*Hauptzahlstelle*) of the Company disburses dividends without deducting withholding tax, assuming a valid exemption certificate (*Freistellungsbescheinigung*) and proof that the relevant shares have been held separately are presented.

The withholding tax rate on dividends to other foreign tax resident shareholders is generally reduced in accordance with any applicable double taxation treaty if Germany has concluded such double taxation treaty with the country of residence of the shareholder and if the shareholder does not hold his shares either as part of the assets of a permanent establishment or a fixed place of business in Germany or as business assets for which a permanent representative has been appointed in Germany. The reduction of the withholding tax, if applicable, is generally granted in such a manner *that* the difference between the total amount withheld, including the solidarity surcharge, and the tax liability determined on the basis of the tax rate set forth in the applicable double taxation treaty (generally 15%) is refunded upon request and subject to certain requirements by the Federal Central Tax Office (*Bundeszentralamt für Steuern*). Depending on the applicable double taxation treaty, a reduced withholding tax rate may be applicable in the tax withholding process, if the shareholder has applied for an exemption certificate (*Freistellungsbescheinigung*) from the Federal Central Tax Office (*Bundeszentralamt für Steuern*). The applicable double taxation treaty may also provide for a full exemption from the German dividend withholding tax, if the relevant shareholder has directly held at least 10% of the Company's registered share capital and if further prerequisites are met.

In case of dividends received by corporations which are not tax resident in Germany, generally two-fifths of the withholding tax deducted and remitted can be refunded upon request and subject to certain requirements but without the need to fulfill all prerequisites required for such refund under the EU Parent Subsidiary Directive or under a double taxation treaty.

In order to receive a refund pursuant to a double taxation treaty or the aforementioned option for foreign corporations, the shareholder has to submit a completed form for refund (available at the Federal Central Tax Office (*Bundeszentralamt für Steuern*) (http://www.bzst.de) as well as at the German embassies and consulates) together with a withholding tax certificate (*Kapitalertragsteuerbescheinigung*) issued by the institution that withheld the tax.

The exemption from withholding tax in accordance with the EU Parent Subsidiary Directive and the aforementioned options for a refund of the withholding tax depend on whether certain additional prerequisites (in particular applicable substance requirements) are fulfilled.

The aforementioned reductions of (or exemptions from) withholding tax are restricted if (i) the applicable double taxation treaty provides for a tax reduction resulting in an applicable tax rate of less than 15%, and (ii) the shareholder is not a corporation that directly holds at least 10% in the equity/capital of the Company and is subject to tax on its income and profits in its state of residence without being exempt.

In this case as well as in the case of crediting withholding tax regarding dividends from shares held as business assets and according to the German tax authorities only in certain cases as private assets, the reduction of (or exemption from) withholding tax is subject to the following three cumulative prerequisites (together the ***Minimum Risk Test***): (i) the shareholder must qualify as beneficial owner of the shares in the Company for a minimum holding period of 45 consecutive days occurring within a period of 45 days prior and 45 days after the due date of the dividends, (ii) the shareholder has to bear at least 70% of the change in value risk related to the shares in the Company during the minimum holding period without being directly or indirectly hedged, and (iii) the shareholder must not be required to fully or largely compensate directly or indirectly the dividends to third parties. Absent the fulfillment of all three prerequisites,

- in case of a shareholder tax resident in Germany, three fifths of the withholding tax imposed on the dividends must not be credited against the shareholder's (corporate) income tax liability, but may, upon application, be deducted from the shareholder's tax base for the relevant assessment period. A shareholder that has received gross dividends without any deduction of withholding tax due to a tax exemption without qualifying for a full tax credit or that has already received a refund has to notify the competent local tax office accordingly and has to make a payment in the amount of the omitted withholding tax deduction (*i.e.* 15% of the relevant dividends). The special rules on the restriction of withholding tax credit do not apply to a shareholder whose overall dividend earnings within an assessment period do not exceed EUR 20,000 or that has been the beneficial owner of the shares in the Company for at least one uninterrupted year upon receipt of the dividends.
- in case of a shareholder without a tax residence in Germany who has applied for a full or partial refund of the withholding tax pursuant to a double taxation treaty, no refund is available. However, this restriction does not apply to a shareholder (i) that directly holds at least 10% of the shares in the Company and that is subject to (corporate) income tax in the country of its tax residence without any exemptions, or (ii) that has been the beneficial owner of the shares in the Company for at least one uninterrupted year upon receipt of the dividends, or (iii) if the applicable tax rate pursuant to the applicable double taxation treaty is at least 15%.
- In addition to the relevant statutory provisions, the German Federal Ministry of Finance (*Bundesministerium der Finanzen*) has published decrees outlining the treatment of transactions where the credit of withholding tax will be denied even when the statutory minimum tests described above are met, in order to prevent abuse.

A Dividend Paying Agent will not deduct withholding tax if the shareholder provides such Dividend Paying Agent with an application for exemption (*Freistellungsauftrag*) to the extent such shareholder's capital income does not exceed the annual savers' allowance (*Sparerpauschbetrag*) of EUR 801.00 (EUR 1,602.00 for married couples and registered partners filing jointly). Furthermore, no withholding tax will be levied if the shareholder provides the Dividend Paying Agent with a non-assessment certificate (*Nichtveranlagungsbescheinigung*) to be applied for with the competent tax office.

In case of individual shareholders holding shares in the Company as private assets, the Dividend Paying Agent which keeps or administrates the shares and pays or credits the capital income is required to create pots for offsetting losses (*Verlustverrechnungstöpfe*) to allow for negative capital income to be set off against current and future positive capital income. A set-off of negative capital income at one Dividend Paying Agent against positive capital income at another Dividend Paying Agent is only possible in the course of the income tax assessment at the level of the respective shareholder. In such case, the relevant shareholder has to apply for a certificate confirming the amount of losses not offset with the Dividend Paying Agent where the pot for offsetting losses exists. The application is irrevocable and must reach the Dividend Paying Agent until December 15 of the respective year, as otherwise the losses will be carried forward by the respective Dividend Paying Agent to the following year.

20.1.3 Taxation of dividends derived by German tax resident shareholders

Taxation of dividend income for German tax resident shareholders who hold their shares as private assets. Dividends that are derived by a German tax resident shareholder who holds the shares as private assets constitute income from capital investment, which is subject to a special, flat income tax rate of 25% plus a solidarity surcharge of 5.5% thereon (*i.e.* a total of 26.375%, plus church tax, if applicable). The income tax liability for the dividends is generally satisfied through the deduction of the withholding tax (*i.e.* flat tax regime (*Abgeltungsteuer*)). Except for an annual lump-sum allowance for savers (*Sparer-Pauschbetrag*) in the amount of EUR 801 (EUR 1,602 for married couples and registered partners filing jointly) income-related expenses (*Werbungskosten*) may not be deducted from income from capital investment. The shareholder may request his/her total income from capital investments (including the dividends) to be subject to taxation at the individual, progressive income tax rate together with his other taxable income rather than the flat tax rate for capital investments, if this results in his tax liability being lower. The tax base is the gross income less the lump-sum allowance for savers in the amount of EUR 801 (EUR 1,602 for married couples and registered partners filing jointly) with no deduction for income-related expenses to generate the income. In such a case, the withholding tax can either be credited against the income tax liability of the shareholder or refunded in the amount of the excess, subject to the rules on the restriction of withholding tax credit as described below. Dividend income can only be offset by losses from capital income, except for losses generated by the disposal of shares.

Exceptions from the final flat tax regime apply upon application to shareholders that hold at least 25% of the shares in the Company and shareholders that hold at least 1% of the shares in the Company and through professional work for the Company are able to exercise significant entrepreneurial influence on the business activities of the Company. In that case, the dividends are taxed under the partial income taxation method (see below *Taxation of dividend income for German tax resident shareholders who hold their shares as business assets*).

If applicable, church tax generally has to be withheld based on an automatic data access procedure, unless the shareholder has filed a blocking notice (*Sperrvermerk*) with the Federal Central Tax Office. If church tax is withheld and remitted to the tax authority as part of the withholding tax deduction, the church tax on the dividends is also deemed to be discharged when it is deducted. The church tax withheld cannot be deducted in the tax assessment as a special expense (*Sonderausgabe*). 26.375% of the church tax withheld on the dividends is, however, deducted from the withholding tax (including the solidarity surcharge) withheld. Where church tax is not levied by way of withholding, the shareholder owing church tax is required to declare his/her dividends in his/her income tax return and then the church tax is imposed by means of an income tax assessment.

Contrary to the above, dividends that are funded from the Company's tax-recognized contribution account (*steuerliches Einlagekonto*) and are paid to a German tax resident shareholder who holds the shares as private assets, do not form part of the shareholder's taxable income, but reduce the acquisition costs for such shares. If the dividend payment funded from the Company's tax-recognized contribution account (*steuerliches Einlagekonto*) exceeds the shareholder's acquisition costs, the German tax authorities take the view that negative acquisition costs will arise which may result in a higher capital gain in case of a disposal of the shares. This will not apply if (i) the shareholder or, in the event of a gratuitous transfer, its legal predecessor, or, if the shares have been gratuitously transferred several times in succession, one of his legal predecessors at any point during the five years preceding the disposal directly or indirectly held at least 1% of the share capital of the Company (a ***Qualified Participation***), and (ii) the dividend payment funded from the Company's tax-recognized contribution account (*steuerliches Einlagekonto*) exceeds the acquisition costs of the shares. In case of a Qualified Participation, a dividend payment funded from the Company's tax-recognized contribution account (*steuerliches Einlagekonto*) is considered a sale of the shares and is taxable as a capital gain if and to the extent the dividend payment funded from the Company's tax-recognized contribution account (*steuerliches Einlagekonto*) exceeds the acquisition costs of the shares. In this case, the taxation corresponds to the taxation of capital gains of shareholders maintaining a Qualified Participation (see "*20.2 Taxation of Capital Gains*").

Taxation of dividend income for German tax resident shareholders who hold their shares as business assets. The flat tax does not apply to dividends paid on shares held by a German tax resident shareholder as business assets. The taxation depends on whether the shareholder is a corporation, an individual entrepreneur or a partnership (co-entrepreneurship). Subject to the Minimum Risk Test, the withholding tax (including solidarity surcharge and church tax, if applicable) withheld and remitted can either be credited against the income tax or corporate income tax liability and the solidarity surcharge (and church tax, if applicable) of the shareholder or refunded in the amount of the excess.

Dividends that are funded from the Company's tax-recognized contribution account (*steuerliches Einlagekonto*) and paid to a German tax resident shareholder who holds the shares as business assets are generally fully tax-exempt in the hands of such shareholder. At the same time such dividend payments lead to a corresponding reduction of the acquisition costs/book value for the relevant shares. To the extent the dividend payments funded from the Company's tax-recognized contribution account (*steuerliches Einlagekonto*) exceed the acquisition costs/book value of the shares, a taxable capital gain should occur. The taxation of such gain corresponds to the taxation of shareholders whose shares are held as business assets (see "*20.2 Taxation of Capital Gains*"). As regards the application of the 95% exemption in case of a corporation, this is, however, not undisputed.

***Corporations*.** If the German tax resident shareholder is a corporation, effectively 95% of the dividends, subject to certain exceptions for enterprises in the financial and insurance sectors (see "*20.3 Special Rules for Credit Institutions, Securities Institutions, Financial Services Institutions, Financial Enterprises as well as Life Insurance and Health Insurance Companies* and Pension Funds") are generally exempt from corporate income tax and solidarity surcharge. No minimum holding period needs to be observed. 5% of the dividends are deemed non-deductible business expenses, and are therefore subject to corporate income tax (plus solidarity surcharge) at a tax rate totaling 15.825%. However, if the corporation directly holds less than 10% of the share capital of the Company at the beginning of the calendar year, the full amount of any dividends received is taken into account when determining the corporation's taxable income for corporate income tax purposes. The acquisition of a shareholding of at least 10% is deemed to have occurred at the beginning of the calendar year. Aside from this, business expenses actually incurred and directly connected to the dividends may be deducted. The dividends are subject to trade tax in the full amount (after deduction of the business expenses economically connected to them) unless the corporation held a participation of at least 15% in the share capital of the Company at the beginning of the relevant tax assessment period (trade tax participation exemption). In this latter case, the dividends are not subject to trade tax. However, trade tax is levied on the amount deemed to be non-deductible business expenses (*i.e.* in the amount of 5% of the dividend). The effective trade tax rate depends on the assessment rate set by the municipality in which the shareholder maintains its operations or permanent establishments.

***Individual entrepreneurs*.** If the German tax resident shareholder is an individual entrepreneur who holds the shares as business assets, only 60% of the dividends are subject to the progressive personal income tax plus solidarity surcharge at a tax rate totaling up to approximately 47.5% and, if applicable, church tax (partial income taxation method; *Teileinkünfteverfahren*). However, for church tax, if applicable, the partial income taxation method does not apply. Only 60% of the business expenses economically connected to the dividends are deductible for tax purposes. If the shares are held as business assets in a German permanent establishment of a commercial business of the shareholder, the dividend income (after deduction of the business expenses economically connected to it) are, in addition to personal income tax, also subject to trade tax in the full amount unless the shareholder held a participation of at least 15% in the share capital of the Company at the beginning of the relevant tax assessment period (trade tax participation exemption). In this latter case, the net amount of the dividends, (*i.e.* after deduction of the business expenses directly connected to them) is exempt from trade tax. In general, the trade tax may be credited, completely or partially, against the personal income tax of the shareholder in accordance with a lump-sum tax credit method, depending on the assessment rate set by the local municipality and the personal tax situation.

Partnerships. If the German tax resident shareholder is a partnership being engaged or deemed to be engaged in a business (co-entrepreneurship), the personal income tax or corporate income tax is not charged at the level of the partnership, but at the level of the respective partner. The taxation of each partner depends on whether the partner is a corporation or an individual. If the partner is a corporation, dividends forming part of the partner's profit share are taxed in accordance with the principles applicable to corporations, *i.e.* effectively 95% of the dividends are tax exempt, but dividends from a direct shareholding of less than 10% of the Company's share capital are fully subject to taxation (see above under "Corporations"). Indirect shareholdings via a partnership are attributed to the partners on a pro-rata basis and are deemed to be direct shareholdings. If the partner is an individual, the taxation is based on the principles applicable to individual entrepreneurs, *i.e.* the partial income taxation method applies (see "Individual entrepreneurs") to the dividends included in the individual partner's profit share. Upon application and subject to further prerequisites, an individual being partner can have his/her personal income tax rate lowered for earnings (except for certain capital gain income) not withdrawn from the partnership.

In addition, the dividends are subject to trade tax at the level of the partnership if the shares are held as business assets of a permanent establishment of a commercial business of the partnership in Germany, and this generally in the full amount. If the partner in the partnership is an individual, the trade tax on his/her profit share which is paid by the partnership may generally be credited as a lump sum, completely or partially, against his/her personal income tax, depending on the assessment rate set by the local municipality and the personal tax circumstances.

If the partnership held a participation of at least 15% in the share capital of the Company at the beginning of the relevant tax assessment period, the dividends, after deduction of the business expenses economically connected thereto, should generally not be subject to trade tax. However, in this case, trade tax should be levied on 5% of the dividends to the extent they are attributable to the profit share of such corporate partners to whom at least 10% of the shares in the Company are attributable on a look-through basis since such portion of the dividends should be deemed to be non-deductible business expenses. The remaining portion of the dividend income attributable to other than such specific corporate partners (which includes individual partners and should, under a literal reading of the law, also include corporate partners to whom, on a look-through basis, only participations in the share capital of the Company of less than 10% are attributable) should (after the deduction of business expenses economically related thereto) not be subject to trade tax. Due to a lack of case law and administrative guidance, the application of the rules for the taxation of portfolio participations is, however, unclear. Consequently, shareholders are strongly recommended to consult their own tax advisors.

20.1.4 Shareholders domiciled in foreign countries

Shareholders (individuals and corporations) who are not tax resident in Germany and hold their shares as business assets of a permanent establishment or a fixed place of business in Germany, or as business assets for which a permanent representative has been appointed in Germany, are subject to the taxation in Germany in respect of their dividend income. The situation described above for shareholders tax resident in Germany who hold their shares as business assets applies accordingly (see "*20.1.3 Taxation of dividends derived by German tax resident shareholders*"). The withholding tax deducted and remitted to the tax authorities (including solidarity surcharge) is – subject to the Minimum Risk Test – either credited against the personal income tax or corporate income tax liability or refunded in the amount of an excess of such.

In all other situations, the German tax liability is satisfied for the dividends with the deduction of withholding tax. A withholding tax exemption or refund is only granted in the situations described above under section "*20.1.2 Withholding tax*".

Dividend payments that are funded from the Company's tax-recognized contribution account (*steuerliches Einlagekonto*) are generally not taxable in Germany.

20.2 Taxation of Capital Gains

20.2.1 Taxation of capital gains for German tax resident shareholders

Taxation of capital gains for German tax resident shareholders who hold their shares or subscription rights as private assets. Capital gains from the sale or disposal of shares acquired by a German tax resident shareholder after December 31, 2008 that are held as private assets are generally subject to personal income tax in Germany – irrespective of any holding period – as income from capital investment at a special, flat tax rate for income from capital investment of 25% (plus a solidarity surcharge of 5.5%, *i.e.* a total of 26.375%, and church tax, if applicable). This also applies to gains from the sale or disposal of subscription rights granted for such shares. By contrast, gains from the sale of shares that were acquired by the shareholder prior to January 1, 2009 and gains from the sale of subscription rights that were granted for such shares are not taxable. If the shareholder acquired shares before January 1, 2009 as well as on or after January 1, 2009 and if these shares are kept in the same custodial account, it will be deemed that those shares that were acquired first are sold first.

The amount of the taxable capital gain from the sale is the difference between (a) the proceeds from the sale or disposal and (b) the cost of acquisition of the shares or subscription rights and the expenses directly related to the sale. The acquisition costs of subscription rights granted by the Company are deemed to be EUR 0. Under certain conditions, payments from the Company's tax-recognized contribution account (*steuerliches Einlagekonto*) reduce the acquisition costs of the shares and may lead to negative acquisition costs, which can increase capital gains if such shares are held as private assets and do not qualify as a Qualified Participation.

The only deduction available from the overall income from capital investment is the annual lump-sum allowance for savers (*Sparer-Pauschbetrag*) in the amount of EUR 801 (EUR 1,602 for married couples and registered partners filing jointly). Income-related expenses (*Werbungskosten*) may not be deducted from capital gains. Losses from the sale or disposal of shares may only be offset against capital gains arising from the sale of the shares in stock corporations (the Company or other stock corporations) during the same assessment period or in subsequent assessment periods. Losses from the sale of subscription rights may only be offset against positive income from capital investment but insofar without restrictions (*i.e.* including such from the sale or disposal of shares in stock corporations). In case of a derecognition or transfer of worthless shares or other capital assets, the utilization of losses is further restricted and can only be offset for up to EUR 20,000.00 per calendar year.

According to the German Federal Ministry of Finance (*Bundesministerium der Finanzen*), the exercise of subscription rights is not equivalent to a sale. Shares acquired by exercising subscription rights are considered to be acquired at the price of subscription and at the time of the exercise.

If shares or subscription rights are held in custody with or administered by a domestic bank or financial services institution, a domestic securities trading enterprise (*inländisches Wertpapierhandelsunternehmen*) or a domestic securities trading bank (*inländische Wertpapierhandelsbank*) (including domestic branches of foreign banks and financial services institutions) or such an institution sells or disposes the shares or subscription rights and disburses or credits the proceeds from the sale or disposal (a ***German Disbursing Agent***), such a German Disbursing Agent withholds withholding tax on the capital gain at a rate of 26.375% (including solidarity surcharge plus church tax, if applicable) and remits it to the tax authority (final flat tax regime, *Abgeltungsteuer*). If the shares are only held in custody or administered by the respective German Disbursing Agent continuously after acquisition, the amount of taxes withheld is generally based on the difference between the proceeds from the sale, after deducting expenses directly related to the sale, and the amount paid to acquire such shares. The withholding tax rate of 25% plus the current 5.5% solidarity surcharge thereon and any church tax, if applicable, will, however, be applied to 30% of the gross sales proceeds if the shares were not administered by the same custodian bank since acquisition and the original costs of the shares cannot be verified or such verification is not admissible. In this case, the shareholder is entitled to, and in case the actual gain is higher than 30% of the gross proceeds, required to, verify the original costs of the shares in his/her annual tax return.

If applicable, church tax generally has to be withheld based on an automatic data access procedure, unless the shareholder has filed a blocking notice (*Sperrvermerk*) with the Federal Central Tax Office. If church tax is withheld and remitted to the tax authority as part of the withholding tax deduction, then the church tax on the capital gain is also deemed to be discharged when it is deducted. The church tax withheld cannot be deducted in the tax assessment as a special expense (*Sonderausgabe*). 26.375% of the church tax withheld on the capital gain is, however, deducted from the withholding tax (including the solidarity surcharge) withheld. Where church tax is not levied by way of withholding, it is determined by means of an income tax assessment.

If the withholding tax on the capital gains or, if applicable, the church tax on the capital gains has not been withheld by a German Disbursing Agent, the German tax resident shareholder is required to report the capital gains in his/her income tax return. The income tax, the solidarity surcharge and, if applicable, the church tax on the capital gains are then collected by way of assessment.

The shareholder may request his/her total income from capital investments to be subject to taxation at the individual, progressive income tax rate together with his/her other taxable income rather than the flat tax rate for capital investments, if this results in his/her tax liability being lower. The tax base is the gross income less the lump-sum allowance for savers in the amount of EUR 801 (EUR 1,602 for married couples and registered partners filing jointly) with no deduction for income-related expenses to generate the income. In such a case, withholding tax, solidarity surcharge and church tax, if applicable, can either be credited against the individual, progressive income tax or refunded in the amount of the excess.

A gain from the sale or disposal of shares or subscription rights is not subject to the final flat tax regime, but rather the individual, progressive income tax if the German tax resident shareholder holds a Qualified Participation. In this case, the partial income taxation method (*Teileinkünfteverfahren*) applies to gains from the sale or disposal of shares, *i.e.* only 60% of the proceeds from the sale or disposal of shares are subject to taxation and only 60% of a loss from the sale or disposal of shares and any expenses economically related to the sale or disposal of the shares are tax deductible. The partial income taxation method does not apply to church tax. In case of a Qualified Participation, the partial income taxation method should also apply to capital gains or losses associated with subscription rights. Unlike under the flat tax regime, the acquisition costs of subscription rights are calculated as a fraction of the original acquisition costs of the underlying shares which is split off from the shares and attributed to the subscription rights (aggregate value method). Upon exercise of a subscription right, its acquisition costs increase the acquisition costs of the newly acquired shares. Withholding tax (including solidarity surcharge and church tax, if applicable) is also deducted by a German Disbursing Agent in the case of a Qualified Participation, but this does not have the effect of a settlement of the shareholder's tax liability. The shareholder is therefore required to report the capital gain in his/her income tax return. Upon the shareholder's assessment, the withholding tax withheld and remitted (including solidarity surcharge and church tax, if applicable) can either be credited against the personal income tax liability or refunded in the amount of the excess. The exercise of subscription rights should not be considered equivalent to a sale in the case of a Qualified Participation.

Withholding tax will not be withheld by a German Disbursing Agent if the shareholder provides such German Disbursing Agent with an application for exemption (*Freistellungsauftrag*), to the extent such shareholder’s capital income does not exceed the annual savers’ allowance (*Sparerpauschbetrag*) of EUR 801.00 (EUR 1,602.00 for jointly filing individuals). Furthermore, no withholding tax will be levied if the shareholder provides the German Disbursing Agent with a non-assessment certificate (*Nichtveranlagungsbescheinigung*) to be applied for with the competent tax office.

Taxation of capital gains for German tax resident shareholders who hold their shares as business assets. Capital gains from the sale or disposal of shares or subscription rights held by German tax resident shareholders as business assets are not subject to the flat tax regime. The taxation of capital gains depends on whether the shareholder is a corporation, an individual or a partnership (co-entrepreneurship). Capital gains derived by enterprises in the financial and insurance sectors or pension funds are subject to the special rules described below (see “*20.3 Special Rules for Credit Institutions, Securities Institutions, Financial Services Institutions, Financial Enterprises as well as Life Insurance and Health Insurance Companies* and Pension Funds”). Dividend payments that are funded from the Company’s tax-recognized contribution account (*steuerliches Einlagekonto*) reduce the original acquisition costs/book value. This may give rise to a higher taxable capital gain in case of a sale or disposal of shares. If the dividend payments funded from the Company’s tax-recognized contribution account exceed the original acquisition costs/book value for tax purposes, a taxable capital gain may arise.

Corporations. If the German tax resident shareholder is a corporation, effectively 95% of the gains from the sale or disposal of shares, irrespective of the amount of the participation and irrespective of any holding period, are generally exempt from corporate income tax (including solidarity surcharge) and trade tax. 5% of the gains are deemed to be non-deductible business expenses and, therefore, are subject to corporate income tax (plus solidarity surcharge) at a tax rate totaling 15.825% and trade tax (depending on the trade assessment rate set by the local municipality, generally between 7% and 18.55%). Capital losses and other reductions in profit in connection with the shares sold may, generally, not be deducted as business expenses.

By contrast, the full amount of the gains from the sale or disposal of subscription rights is subject to corporate income tax (plus solidarity surcharge) and trade tax. Capital losses and other reductions in profit in connection with the subscription rights should be tax-deductible, subject to general restrictions. The exercise of subscription rights should not be considered equivalent to a sale.

Individual entrepreneurs. If the German tax resident shareholder is an individual entrepreneur who holds the shares as business assets, 60% of the proceeds from the sale or disposal of the shares are subject to progressive personal income tax plus solidarity surcharge at a total tax rate of up to approximately 47.5% and, if applicable, church tax (partial income taxation method). However, for church tax, if applicable, the partial income taxation method does not apply. Only 60% of any capital losses and expenses economically connected to the sale or disposal can be deducted for tax purposes. If the shares are attributable to a permanent establishment of a commercial business of the shareholder in Germany, 60% of the capital gains from the sale or disposal of the shares are additionally subject to trade tax. The partial income taxation method also applies to gains or losses from the sale or disposal of subscription rights that are held by the individual entrepreneur as business assets. The exercise of subscription rights should not be considered equivalent to a sale.

In general, the trade tax may be credited, completely or partially, against the personal income tax of the shareholder in accordance with a lump-sum tax credit method, depending on the assessment rate set by the local municipality and the individual tax circumstances.

Partnerships. If the German tax resident shareholder is a partnership being engaged or deemed to be engaged in a business (co-entrepreneurship), the personal income tax or corporate income tax is not charged at the level of the partnership, but at the level of each partner. The taxation of each partner depends on whether the partner is a corporation or an individual. If the partner is a corporation, the capital gains from the sale or disposal of shares and subscription rights included in the partner's profit share are subject to taxation in accordance with the principles applicable to corporations (see above "Corporations"). Capital gains included in the profit share of an individual partner are accordingly subject to the principles applicable to individual entrepreneurs (*i.e.* the partial income taxation method), see above "Individual entrepreneurs"). In addition, the capital gains are subject to trade tax at the level of the partnership if the shares are attributable to a permanent establishment of a commercial business of the partnership in Germany, and this generally in the amount of 60% to the extent they are attributable to the profit share of an individual partner and generally in the amount of 5% to the extent they are attributable to the profit share of a corporate partner. Capital losses or other reductions in profit in connection with the shares sold are not taken into account for purposes of trade tax to the extent they are attributable to a partner that is a corporation, and subject to general restrictions only 60% of these losses or expenses are taken into account to the extent they are attributable to a partner who is an individual. Capital gains and losses realized from the sale or disposal of a subscription right are fully taken into account for purposes of trade tax within the scope of general restrictions to the extent they are attributable to the profit share of a corporate partner. By contrast, if the partner is an individual, the capital gains from the sale or disposal of subscription rights included in the profit share are arguably only subject to trade tax at a rate of 60%; accordingly losses and reductions of profits related to the sale or disposal of subscription rights should in this case only be deductible at a rate of 60% subject to general restrictions. The exercise of subscription rights held as business assets should not be treated as a sale or disposal of such subscription rights.

In general, if the partner of the partnership is an individual, the trade tax paid by the partnership and attributable to his/her profit share is completely or partially credited against the shareholder's personal income tax in accordance with a lump-sum tax credit method, depending on the assessment rate set by the local municipality and the individual tax circumstances.

Withholding tax. In the case of a German Disbursing Agent, capital gains from the sale or disposal of shares or subscription rights held as business assets are generally subject to withholding tax just as in the case of a shareholder who holds the shares or subscription rights as private assets (see "*20.2.1 Taxation of capital gains for German tax resident shareholders*"). The German Disbursing Agent may, however, refrain from levying withholding tax if (i) the shareholder is a corporation tax-resident in Germany, or (ii) the shareholder holds the shares or subscription rights as assets of a business in Germany and declares this to the Disbursing Agent in the officially required pre-printed form and certain further prerequisites are fulfilled. If a German Disbursing Agent nonetheless withholds tax on capital gains, the tax withheld and remitted (including solidarity surcharge and church tax, if applicable) can either be credited against the personal income tax or corporate income tax liability or refunded in the amount of the excess.

20.2.2 Shareholders domiciled in foreign countries

Capital gains derived by non-German tax resident shareholders are subject to German taxation only if the selling or disposing shareholder holds a Qualified Participation in the Company or holds the shares or subscription rights as business assets of a German permanent establishment or fixed place of business or as business assets for which a permanent representative is appointed in Germany.

In the case of a Qualified Participation (as defined in "*20.1.3 Taxation of dividends derived by German tax resident shareholders*"), 5% of the gains from the sale or disposal of shares and 100% of the gains from the sale or disposal of subscription rights are generally subject to corporate income tax plus solidarity surcharge if the shareholder is a corporation. Pursuant to a decision of the German Federal Fiscal Court (*Bundesfinanzhof*) dated May 31, 2017 (Federal Tax Gazette (*Bundessteuerblatt*), part II of 2018, p. 144), in case of a Qualified Participation, the capital gain on the disposal of shares or subscription rights is not subject to German taxation if the shareholder is a corporation which is not tax resident in Germany and neither maintains a permanent establishment nor has appointed a permanent representative in Germany. The German tax authorities have adopted this view.

If the shareholder is an individual and holds a Qualified Participation as private asset, only 60% of the gains from the sale or disposal of the shares are subject to the individual, progressive personal income tax plus solidarity surcharge (partial income taxation method). Arguably, the partial income taxation method also applies to gains from the sale or disposal of subscription rights by an individual. Where a German Disbursing Agent is involved, withholding tax on capital gains is generally levied at a rate of 25%, plus 5.5% solidarity surcharge thereon. If, however, (i) the shares are not held through a permanent establishment or fixed place of business or as business assets for which a permanent representative is appointed in Germany, and (ii) a German Disbursing Agent is involved, then in the opinion of the German tax authorities, the German Disbursing Agent is generally not required to levy withholding tax and solidarity surcharge. In the case of a Qualified Participation, the capital gains must be declared in a tax return and are taxed by way of a tax assessment, subject to an exemption under a double taxation treaty or under domestic law. Most double taxation treaties provide for an exemption from German taxation of the capital gain and assign the right to tax to the shareholder's country of residence subject to certain exemptions in case of the sale or disposal of shares in a land rich company.

In the case of capital gains or losses from the sale or disposal of shares or subscription rights held as business assets of a permanent establishment in Germany or a fixed place of business, or as business assets for which a permanent representative has been appointed in Germany, the description above for German tax resident shareholders who hold their shares as business assets applies accordingly (see "*20.1.3 Taxation of dividends derived by German tax resident shareholders*"). The German Disbursing Agent may only refrain from levying withholding tax if the shareholder declares to the German Disbursing Agent in an officially prescribed form that the shares are held as assets of a German business, and certain further prerequisites are fulfilled.

20.3 Special Rules for Credit Institutions, Securities Institutions, Financial Services Institutions, Financial Enterprises as well as Life Insurance and Health Insurance Companies and Pension Funds

If credit institutions (*Kreditinstitute*), securities institutions (*Wertpapierinstitute*) and financial services institutions (*Finanzdienstleistungsinstitute*) hold or sell shares or subscription rights, which are allocable to their trading portfolio (*Handelsbestand*) within the meaning of Section 340e para. 3 of the German Commercial Code (*Handelsgesetzbuch*), then neither the exemption from corporate income tax (95%) nor the partial-income method will apply to dividends or capital gains and capital losses arising from the sale or disposal of shares or subscription rights, *i.e.* dividends and capital gains are fully subject to corporate income tax and correspondingly capital losses can be offset in full for tax purposes. The same applies for financial companies within the meaning of the German Banking Act (*Kreditwesengesetz*) if credit institutions, securities institutions or financial services institutions hold, directly or indirectly, a participation of more than 50% in such financial company and if the shares or subscription rights have to be recorded in the current assets (*Umlaufvermögen*) of the financial company at the time of initial recording. The dividends may be exempt from trade tax if a participation of at least 15% is held in the Company's share capital at the beginning of the relevant tax assessment period. Similarly, the 95% exemption for corporate income tax does not apply to dividends paid with respect to, or capital gains and losses arising from the sale or disposal of shares or subscription rights which are allocable to the capital investments (*Kapitalanlagen*) of life insurance and health insurance companies and pension funds; for these shareholders an exemption from trade tax in case of a participation of at least 15% in the Company's share capital is also not available.

However, an exemption to the foregoing, and thus a 95% effective tax exemption, applies to dividends obtained by the aforementioned companies, to which the EU Parent Subsidiary Directive applies. In addition, applicable double taxation treaties might provide further relief from German tax, subject to certain prerequisites, *e.g.* substance requirements and holding periods, being met.

20.4 Amendments to the Solidarity Surcharge

As of the assessment period 2021, the solidarity surcharge has been partially abolished for certain individuals and reduced for certain other individuals, depending on certain income thresholds. The solidarity surcharge continues to apply for capital investment income and therefore to withholding tax (including the flat tax regime) as well as to corporate income tax. Should the individual income tax burden for an individual shareholder is lower than 25%, the shareholder can apply for his/her capital investment income being assessed at his/her individual tariff-based income tax rate in which case solidarity surcharge would be refunded.

20.5 Inheritance and Gift Tax

The transfer of shares or subscription rights to another person upon death or by way of a gift is generally subject to German inheritance tax or gift tax if:

(i) the decedent, the person making the gift, the heir, the person receiving the gift or the other person acquiring the assets has at the time of the transfer of the assets his/her domicile or ordinary residence (*gewöhnlicher Aufenthalt*), place of management or registered office in Germany or is a German citizen who has not permanently resided in a foreign country for longer than five consecutive years (this term is extended to ten years for German expatriates with residence in the United States) prior to the transfer without having a German residence, or

(ii) the shares or subscription rights belong to business assets of the decedent or the person making the gift for which a permanent establishment was maintained in Germany or for which a permanent representative was appointed, or

(iii) the decedent or the person making the gift, either himself or together with other persons related to him, held a direct or indirect participation of at least 10% in the share capital of the Company at the time of the transfer.

The few German double taxation treaties on inheritance tax and gift tax presently in force usually provide that German inheritance tax or gift tax can only be charged in the case of (i) above and also with certain restrictions in case of (ii). Special rules apply to certain German citizens living outside Germany and former German citizens.

The fair value of the shares represents the tax assessment base, which generally corresponds to the stock exchange price of the Company’s shares. Depending on the degree of relationship between decedent or donor and recipient, different tax free allowances and tax rates apply.

20.6 Other Taxes

No German capital transfer taxes, value-added taxes, stamp taxes or similar taxes apply to the acquisition, sale or disposal or other form of transferring shares or subscription rights. However, an entrepreneur can opt to pay value-added tax on the sale or disposal of shares or subscription rights, despite being generally exempt from value added tax, if the shares or subscription rights are sold to another entrepreneur for the entrepreneur's business. Wealth tax *(Vermögenssteuer)* is presently not levied in Germany.

On February 14, 2013, the European Commission published a proposal for a directive for a common Financial Transaction Tax (***FTT***) in relation to which the negotiations between the member states of the European Union which originally intended to introduce the FTT have failed. Belgium, Germany, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia have resumed negotiations regarding the introduction of the FTT. Additional member states of the European Union may decide to participate. The scope of such tax and the timing of its implementation remain unclear. However, according to the latest proposal brought up by the Portuguese presidency of the European Council in February 2021, the FTT could be based on a combination of the existing French and Italian financial transaction tax regimes. A financial transaction tax based on such regimes would cover transactions of issued shares of companies seated in one of the participating states with a high market-cap value and certain equity derivative transactions. Prospective holders of the shares or subscription rights are advised to monitor future developments closely and to seek their own professional tax advice in relation to the consequences of the FTT.

21. FINANCIAL INFORMATION

21.1 Financial Information of Vonovia

21.2 Financial Information of Deutsche Wohnen

Unaudited Condensed Interim Consolidated Financial Statements of Vonovia SE as of and for the Nine-Month Period Ended September 30, 2021 (IFRS)

Consolidated Income Statement

in € million	Jan. 1– Sep. 30, 2020	Jan. 1– Sep. 30, 2021	Jul. 1– Sep. 30, 2020	Jul. 1– Sep 30, 2021
Income from property letting	2,287.3	2,359.8	766.5	789.9
Other income from property management	53.3	57.0	17.8	19.1
Income from property management	**2,340.6**	**2,416.8**	**784.3**	**809.0**
Income from disposal of properties	451.2	471.7	133.6	114.8
Carrying amount of properties sold	-366.3	-403.4	-106.5	-92.6
Revaluation of assets held for sale	42.7	21.8	27.8	-9.7
Profit on disposal of properties	**127.6**	**90.1**	**54.9**	**12.5**
Income from the disposal of properties (Development)	181.6	328.8	74.1	137.1
Cost of sold properties	-145.0	-270.3	-61.3	-110.1
Profit on the disposal of properties (Development)	**36.6**	**58.5**	**12.8**	**27.0**
Net income from fair value adjustments of investment properties	1,830.2	5,073.0	17.9	1,374.4
Capitalized internal expenses	468.6	483.5	171.1	171.3
Cost of materials	-1,072.3	-1,099.8	-367.3	-378.0
Personnel expenses	-432.7	-446.8	-140.1	-141.8
Depreciation and amortization	-66.4	-255.8	-24.2	-21.5
Other operating income	109.8	186.6	46.8	121.0
Impairment losses on financial assets	-22.7	-15.2	-6.0	-7.0
Net income from the derecognition of financial assets measured at amortized cost	0.8	-1.5	-0.1	-0.6
Other operating expenses	-187.7	-272.1	-55.6	-82.6
Net income from investments accounted for using the equity method	0.5	1.2	0.2	1.0
Interest income	17.5	4.9	2.8	1.0
Interest expenses	-310.2	-280.5	-95.1	-100.7
Other financial result	-8.5	-109.7	-12.7	-43.1
Earnings before tax	**2,831.7**	**5,833.2**	**389.7**	**1,741.9**
Income taxes	-940.1	-1,964.1	-116.2	-552.9
Profit for the period	**1,891.6**	**3,869.1**	**273.5**	**1,189.0**
Attributable to:				
Vonovia's shareholders	1,818.1	3,782.9	260.1	1,176.2
Vonovia's hybrid capital investors	22.4	22.4	7.6	7.6
Non-controlling interests	51.1	63.8	5.8	5.2
Earnings per share (basic and diluted) in €	**3.33**	**6.63**	**0.47**	**2.04**

Consolidated Statement of Comprehensive Income

in € million	Jan. 1– Sep. 30, 2020	Jan. 1– Sep. 30, 2021	Jul. 1– Sep. 30, 2020	Jul. 1– Sep. 30, 2021
Profit for the period	1,891.6	3,869.1	273.5	1,189.0
Change in unrealized gains/losses	0.2	20.6	-9.0	7.5
Taxes on the change in unrealized gains/losses	0.0	-6.3	3.0	-2.4
Net realized gains/losses	19.7	-0.1	13.3	-1.9
Taxes due to net realized gains/losses	-4.1	2.4	-3.6	1.4
Profit on cash flow hedges	15.8	16.6	3.7	4.6
Changes in the period	-70.3	-70.2	-63.2	-32.2
Tax effect	8.0	8.6	6.0	3.6
Profit on currency translation differences	-62.3	-61.6	-57.2	-28.6
Items which will be recognized in profit or loss in the future	-46.5	-45.0	-53.5	-24.0
Changes in the period	-0.1	65.9	–	4.0
Taxes on changes in the period	0.1	-0.9	–	–
Profit on equity instruments at fair value in other comprehensive income	–	65.0	–	4.0
Change in actuarial gains/losses, net	-8.8	48.5	0.6	9.2
Tax effect	3.1	-16.1	–	-3.1
Profit on actuarial gains and losses from pensions and similar obligations	-5.7	32.4	0.6	6.1
Items which will not be recognized in profit or loss in the future	-5.7	97.4	0.6	10.1
Other comprehensive income	-52.2	52.4	-52.9	-13.9
Total comprehensive income	**1,839.4**	**3,921.5**	**220.6**	**1,175.1**
Attributable to:				
Vonovia's shareholders	1,766.0	3,834.9	207.2	1,162.2
Vonovia's hybrid capital investors	22.4	22.4	7.6	7.6
Non-controlling interests	51.0	64.2	5.8	5.3

Consolidated Balance Sheet

Assets

in € million	Dec. 31, 2020	Sep. 30, 2021
Intangible assets	1,611.7	6,885.0
Property, plant and equipment	387.6	571.3
Investment properties	58,071.8	91,521.0
Financial assets	416.0	869.0
Other assets	128.5	149.8
Deferred tax assets	16.4	16.4
Total non-current assets	60,632.0	100,012.5
Inventories	8.7	15.6
Trade receivables	268.9	458.3
Financial assets	0.4	1,955.7
Other assets	119.0	251.8
Income tax receivables	39.8	192.8
Cash and cash equivalents	613.3	2,173.3
Real estate inventories	570.4	518.3
Assets held for sale	164.9	3,078.6
Total current assets	1,785.4	8,644.4
Total assets	**62,417.4**	**108,656.9**

Equity and Liabilities

in € million	Dec. 31, 2020	Sep. 30, 2021
Subscribed capital	565.9	575.3
Capital reserves	9,037.9	9,496.3
Retained earnings	13,368.2	16,278.9
Other reserves	171.9	142.7
Total equity attributable to Vonovia shareholders	**23,143.9**	**26,493.2**
Equity attributable to hybrid capital investors	1,001.6	1,031.5
Total equity attributable to Vonovia shareholders and hybrid capital investors	**24,145.5**	**27,524.7**
Non-controlling interests	686.3	1,201.7
Total equity	**24,831.8**	**28,726.4**
Provisions	711.3	779.5
Trade payables	5.0	0.6
Non-derivative financial liabilities	22,375.1	38,094.7
Derivatives	76.8	82.5
Lease liabilities	467.3	592.2
Liabilities to non-controlling interests	26.8	227.5
Financial liabilities from tenant financing	45.3	46.2
Other liabilities	2.6	4.8
Deferred tax liabilities	10,959.6	18,071.6
Total non-current liabilities	**34,669.8**	**57,899.6**
Provisions	389.0	754.7
Trade payables	229.5	359.3
Non-derivative financial liabilities	1,709.6	7,889.1
Derivatives	222.2	276.4
Lease liabilities	27.8	42.5
Liabilities to non-controlling interests	16.3	15.6
Financial liabilities from tenant financing	118.1	113.6
Other liabilities	203.3	12,242.0
Liabilities associated with assets classified as held for sale	–	337.7
Total current liabilities	**2,915.8**	**22,030.9**
Total liabilities	**37,585.6**	**79,930.5**
Total equity and liabilities	**62,417.4**	**108,656.9**

Consolidated Statement of Cash Flows

in € million	Jan. 1– Sep. 30, 2020	Jan. 1– Sep. 30, 2021
Profit for the period	1,891.6	3,869.1
Net income from fair value adjustments of investment properties	-1,830.2	-5,073.0
Revaluation of assets held for sale	-42.7	-21.8
Depreciation and amortization	66.4	255.8
Interest expenses/income and other financial result	312.6	410.9
Income taxes	940.1	1,964.1
Results from disposals of investment properties	-84.9	-68.3
Results from disposals of other non-current assets	-0.1	0.5
Other expenses/income not affecting cash	5.9	-95.4
Change in working capital	-174.2	-133.2
Income tax paid	-67.8	-82.4
Cash flow from operating activities	**1,016.7**	**1,026.3**
Proceeds from disposals of investment properties and assets held for sale	435.7	481.3
Proceeds from disposals of other assets	0.3	0.7
Payments for investments in investment properties	-1,183.2	-1,148.9
Payments for investments in other assets	-238.4	-473.2
Payments for acquisition of shares in consolidated companies, in due consideration of liquid funds	-226.0	-6,490.9
Payments for cash investments held as financial assets	–	-999.9
Interest received	7.1	5.8
Cash flow from investing activities	**-1,204.5**	**-8,625.1**

in € million	Jan. 1– Sep. 30, 2020	Jan. 1– Sep. 30, 2021
Capital contributions on the issue of new shares (including premium)	1,003.0	–
Cash paid to shareholders of Vonovia SE and non-controlling interests	-506.7	-493.0
Proceeds from issuing financial liabilities	3,890.3	12,314.3
Cash repayments of financial liabilities	-2,635.1	-2,165.7
Cash repayments of lease liabilities	-17.8	-15.7
Payments for transaction costs in connection with capital measures	-38.8	-197.3
Payments for other financing costs	-9.9	-6.5
Payments in connection with the disposal of shares in non-controlling interests	-10.8	-7.6
Interest paid	-272.2	-267.0
Cash flow from financing activities	**1,402.0**	**9,161.5**
Influence of changes in foreign exchange rates on cash and cash equivalents	-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**

* Includes € 898.5 million (Sep. 30, 2020: € 650.0 million) in current securities classified as cash equivalents and total restricted cash of € 75.7 million (Sep. 30, 2020: € 91.3 million).

Consolidated Statement of Changes in Equity

in € million	Subscribed capital	Capital reserves	Retained earnings	Other reserves: Cash flow hedges	Other reserves: Equity instruments at fair value in other comprehensive income
As of Jan. 1, 2021	**565.9**	**9,037.9**	**13,368.2**	**-32.9**	**50.0**
Profit for the period			**3,782.9**		
Changes in the period			32.0	14.3	65.0
Reclassification affecting net income				2.3	
Other comprehensive income			**32.0**	**16.6**	**65.0**
Total comprehensive income			**3,814.9**	**16.6**	**65.0**
Capital increase	9.4				
Premium on the issue of new shares		460.9			
Transaction costs in connection with the issue of shares		-0.4			
Reclassification of equity instruments at fair value in other comprehensive income			49.2		-49.2
Dividend distributed by Vonovia SE			-956.3		
Addition of non-controlling interests acquisition Deutsche Wohnen					
Changes recognized directly in equity		-2.1	2.9		
As of Sep. 30, 2021	**575.3**	**9,496.3**	**16,278.9**	**-16.3**	**65.8**
As of Jan. 1, 2020*	**542.3**	**8,239.7**	**10,534.4**	**-52.2**	**41.2**
Profit for the period			**1,818.1**		
Changes in the period			-5.6	0.2	
Reclassification affecting net income				15.6	
Other comprehensive income			**-5.6**	**15.8**	
Total comprehensive income			**1,812.5**	**15.8**	
Capital increase	23.6				
Premium on the issue of new shares		1,326.2			
Transaction costs in connection with the issue of shares		-3.8			
Dividend distributed by Vonovia SE			-851.4		
Changes recognized directly in equity		-2.0	-26.6		
As of Sep. 30, 2020	**565.9**	**9,560.1**	**11,468.9**	**-36.4**	**41.2**

* Adjusted (see note [A2] Adjustment to Prior-Year Figures in the financial statements of December 31, 2020).

	Currency translation differences	Total	Equity attributable to Vonovia's shareholders	Equity attributable to Vonovia's hybrid capital investors	Equity attributable to Vonovia's share-holders and hybrid capital investors	Non-controlling interests	Total equity
	154.8	**171.9**	**23,143.9**	**1,001.6**	**24,145.5**	**686.3**	**24,831.8**
			3,782.9	**22.4**	**3,805.3**	**63.8**	**3,869.1**
	-61.6	17.7	49.7		49.7	0.4	50.1
		2.3	2.3		2.3		2.3
	-61.6	**20.0**	**52.0**		**52.0**	**0.4**	**52.4**
	-61.6	**20.0**	**3,834.9**	**22.4**	**3,857.3**	**64.2**	**3,921.5**
			9.4		9.4		9.4
			460.9		460.9		460.9
			-0.4		-0.4		-0.4
		-49.2	0.0		0.0		0.0
			-956.3		-956.3		-956.3
						473.0	473.0
			0.8	7.5	8.3	-21.8	-13.5
	93.2	**142.7**	**26,493.2**	**1,031.5**	**27,524.7**	**1,201.7**	**28,726.4**
	2.9	**-8.1**	**19,308.3**	**1,001.6**	**20,309.9**	**813.9**	**21,123.8**
			1,818.1	**22.4**	**1,840.5**	**51.1**	**1,891.6**
	-62.3	-62.1	-67.7		-67.7	-0.1	-67.8
		15.6	15.6		15.6		15.6
	-62.3	**-46.5**	**-52.1**		**-52.1**	**-0.1**	**-52.2**
	-62.3	**-46.5**	**1,766.0**	**22.4**	**1,788.4**	**51.0**	**1,839.4**
			23.6		23.6		23.6
			1,326.2		1,326.2		1,326.2
			-3.8		-3.8		-3.8
			-851.4		-851.4		-851.4
			-28.6	7.5	-21.1	-51.7	-72.8
	-59.4	**-54.6**	**21,540.3**	**1,031.5**	**22,571.8**	**813.2**	**23,385.0**

Notes

Section (A): Principles of the Consolidated Financial Statements

1 General Information

Vonovia SE is incorporated and domiciled in Germany. The company has been registered in the commercial register in Bochum under HRB 16879 since 2017. Its registered office is at Universitätsstraße 133, 44803 Bochum, Germany.

The interim consolidated financial statements as of September 30, 2021, were prepared in line with the International Financial Reporting Standards (IFRS) as they are to be applied in the European Union for interim financial statements in accordance with IAS 34. They include the company and its subsidiaries.

In accordance with IAS 34, the scope of Vonovia's interim consolidated financial statements as of September 30, 2021 is condensed compared with the consolidated financial statements as of December 31, 2020.

2 Adjustment to Prior-Year Figures

Segment Report

Used to measure the performance of the segments over time, segment revenue serves as another growth indicator for Vonovia from the 2020 fiscal year onwards. Total segment revenue includes all income generated by the four segments that contributes to value creation, i.e., that covers costs and makes an earnings contribution. The corresponding reporting is based on the internal reporting to the Management Board, as the chief operating decision-maker, which was adjusted in the fourth quarter of 2020 and reflects the change with regard to the relevance of total segment revenue from a corporate management perspective. The corresponding prior-year figures have been adjusted to reflect the new reporting system. Detailed information on the adjustment can be found in Chapter [C17] Segment Reporting.

3 Business Combinations

Acquisition of Deutsche Wohnen SE

On June 23, 2021, Vonovia SE, Bochum, has published the offer document regarding its takeover offer to the shareholders of Deutsche Wohnen SE, Berlin, for the acquisition of the no-par-value shares held by them in Deutsche Wohnen SE against payment of a cash consideration of € 52.00 per share. The acceptance period for the takeover offer expired at midnight on July 21, 2021 (local time in Frankfurt am Main).

By the end of the acceptance period, the takeover offer had been accepted for a total of 105,336,403 shares in Deutsche Wohnen. This corresponded to around 29.27% of the share capital and voting rights of Deutsche Wohnen.

As of the reference date, Vonovia SE directly held a total of 66,057,759 shares in Deutsche Wohnen that were purchased either on the market or by way of individual agreements. This corresponds to around 18.36% of the share capital and voting rights of Deutsche Wohnen SE.

On the reporting date, the total number of Deutsche Wohnen shares to be taken into account for the minimum acceptance threshold therefore came to 171,394,162, corresponding to around 47.62% of the share capital and voting rights of Deutsche Wohnen SE.

The closing condition described in the offer of reaching the minimum acceptance threshold of 179,947,733 Deutsche Wohnen shares (corresponding to around 50% of the current share capital of Deutsche Wohnen SE) had not been reached as of the acceptance deadline. The closing condition had therefore definitively failed.

As a consequence of the definitive failure of this closing condition, both the takeover offer had lapsed and the agreements entered into as a result of the acceptance of the takeover offer ceased to exist. They were not executed. The 105,336,403 shares in Deutsche Wohnen that had been submitted were returned.

In addition, as of the reporting date, the bidder held financial instruments relating to 12,708,563 Deutsche Wohnen shares on the basis of a share purchase agreement concluded with Deutsche Wohnen but not yet executed. This corresponds to around 3.53% of the share capital and voting rights of Deutsche Wohnen SE. As the takeover offer was not successful, the condition precedent of the share purchase agreement has occurred and the share purchase agreement has been consummated.

This means that Vonovia SE held a total of 78,766,322 shares in Deutsche Wohnen as of July 21, 2021. This corresponds to around 21.89% of the share capital and voting rights of Deutsche Wohnen. As a result, Vonovia had a significant influence with effect from July 21, 2021.

As a result, the shares in Deutsche Wohnen SE were classified as an associate from this point onwards. For the period from July 21, 2021, until the acquisition date on September 30, 2021, profit shares of € 0.8 million were included in Vonovia's income statement as net income from investments accounted for using the equity method. This profit share corresponds to an average pro rata interest of 29.8% and reflects all shares carrying profit entitlements in the period under review. As part of Deutsche Wohnen's inclusion as an associate as of July 21, 2021, the assets and liabilities of the Deutsche Wohnen Group, and in particular its real estate assets, were remeasured.

On August 1, 2021, Vonovia SE and Deutsche Wohnen SE announced that they had revised the Business Combination Agreement for a merger and would be publishing another offer. The publication of another offer document was subject to approval for another timely public takeover offer made to the shareholders of Deutsche Wohnen SE being granted to Vonovia SE by the German Federal Financial Supervisory Authority (BaFin). The approval was granted on August 5, 2021.

Following the announcements made on August 1 and August 5, 2021, Vonovia SE announced the start of another voluntary public takeover offer for all outstanding shares in Deutsche Wohnen SE on August 23, 2021, publishing a corresponding offer document. As described in the offer document that was published, Vonovia is offering cash consideration of € 53.00 for each share in Deutsche Wohnen. A minimum acceptance threshold of 50% is also a key closing condition. The offer period originally started on August 23 and ended at midnight (CEST) on September 23, 2021.

Up until the publication of the new offer document, Vonovia SE had acquired a further 29,201,317 shares in Deutsche Wohnen SE either on the market or by way of individual agreements. At this point in time, the total number of shares in Deutsche Wohnen held by Vonovia SE came to 107,967,639, corresponding to around 29.99% of the share capital and voting rights of Deutsche Wohnen.

On September 13, 2021, Vonovia SE announced that it would be waiving all offer conditions of the voluntary public takeover offer for the shares in Deutsche Wohnen SE. This is consistent with the offer document published on August 23, 2021, and was coordinated with Deutsche Wohnen SE. This move also resulted in the minimum acceptance threshold ceasing to apply. This means that the offer is no longer subject to any further closing conditions; the acceptance period was extended by two weeks, meaning that it ended at midnight (CEST) on October 4, 2021. The further acceptance period started on October 8 and ended at midnight (CEST) on October 21, 2021.

Up until September 30, 2021, Vonovia SE had acquired a further 33,500,856 shares in Deutsche Wohnen either on the market or by way of individual agreements, and 42,999,948 shares in Deutsche Wohnen had been submitted during the acceptance period for the public takeover offer. All in all, this corresponds to a share of around 50.38% in the share capital entered in the commercial register on September 30, 2021, less 3,362,003 shares held by Deutsche Wohnen SE, for which the voting rights cannot be exercised.

The acquisition date on which Vonovia SE obtained control of Deutsche Wohnen SE was September 30, 2021. This transaction shall be treated as a business combination in accordance with IFRS 3.

The new valuation of the existing shares in Deutsche Wohnen SE required in connection with the first-time consolidation resulted in income of € 87.5 million. This was recognized in other operating income.

As part of the purchase price allocation using the anticipated acquisition method, the consideration transferred for the business combination comprises the following:

in € billion	
Fair value of shares held as of September 30, 2021	7.5
Net cash purchase price component for shares tendered as of September 30, 2021	2.3
Remaining purchase obligation from put options	9.6
Total consideration	**19.4**

The allocation of the total purchase price to the acquired assets and liabilities (PPA) of the Deutsche Wohnen Group as of the date of first-time consolidation is based on the financial statements of the Deutsche Wohnen Group as of September 30, 2021, and on the known necessary adjustments to the fair values of the assets and liabilities. As the acquisition date fell so close to the date on which the financial statements were prepared, the allocation was only provisional.

The assets and liabilities assumed in the course of the business combination had the following preliminary fair values as of the date of first-time consolidation:

in € billion	
Investment properties	28.4
Financial assets	1.4
Cash and cash equivalents	0.8
Fair value of other assets	2.7
Total assets	**33.3**
Provisions	0.4
Non-derivative financial liabilities	12.3
Deferred tax liabilities	5.4
Non-controlling interests	0.5
Fair value of other liabilities	0.7
Total liabilities	**19.3**
Fair value net assets	14.0
Consideration	19.4
Goodwill	**5.4**

The goodwill represents synergies from the future integration of the Deutsche Wohnen Group, in particular through the shared administration and management of the respective residential units. The goodwill was not allocated to one or several cash-generating units as the acquisition date fell so close to the date on which the financial statements were prepared.

The fair value of the loans was determined as the sum of the amounts of future cash flows discounted to the acquisition date using a DCF method. The contractually agreed maturities and the interest and repayment schedules were used to determine the future cash flows of the loans. The yield curve used in the DCF calculation to discount the cash flows consists of a risk-free base curve and a premium for the risk of non-performance ("risk spread").

Due to the change of ownership of more than 50% of the subscribed capital/voting rights in the Deutsche Wohnen SE, tax loss carryforwards of Deutsche Wohnen SE and a small number of subordinated companies have been lost with effect for the future. Deferred tax assets were recognized on the company's loss carryforward and offset against deferred tax liabilities. This offsetting was reversed and the deferred tax assets were no longer recognized due to the loss carryfowards that were eliminated as part of the PPA. In addition, deferred taxes that were not recognized due to the initial recognition exemption (also initial difference exemption) were recognized as part of the business combination. An initial recognition exemption refers to an exceptional scenario in which a deferred tax liability/deferred tax asset cannot be recognized if it results from the first-time recognition of an asset or liability, the underlying transaction is not a business combination and, at the time the transaction is executed, neither the earnings before tax recognized in the balance sheet nor the taxable net income are affected.

According to the information supplied by Deutsche Wohnen SE, the Deutsche Wohnen Group is comprised of 163 companies included in the process of full consolidation as of September 30, 2021. The Deutsche Wohnen Group also holds interests in 23 joint ventures and four associates. In addition to residential property management as its core business, the company's business activities include nursing and assisted living, disposals/acquisitions and new construction/development as core business areas. In addition to its core business areas, the Deutsche Wohnen Group offers property-related services, such as property energy-efficiency management, the multimedia business and technical facility management, via subsidiaries or strategic shareholdings.

If the Deutsche Wohnen Group had already been fully included in the consolidated Group as of January 1, 2021, it would have contributed to the income from property management in the amount of € 1,326.4 million and to income taxes in the amount of € 840.6 million.

Out of the trade receivables that were acquired, an amount of € 20.1 million is likely to have been uncollectible at the time of acquisition. The gross amount of the acquired trade receivables was € 79.8 million. The net carrying amount, which corresponds to the fair value, was € 59.7 million.

In the 2021 fiscal year, transaction costs related to the acquisition of the Deutsche Wohnen Group in the amount of € 183.1 million were recognized affecting net income. € 98.2 million of this amount was recognized in other operating expenses and € 84.9 million under other financial result.

4 Currency Translation

The exchange rates of the currencies relevant to the Vonovia Group have developed as follows:

Basis: € 1	Closing rate Dec. 31, 2020	Closing rate Sep. 30, 2021	Average for period Jan. 1-Sep. 30, 2020	Average for period Jan. 1-Sep. 30, 2021
SEK – Swedish krona	10.03	10.17	10.56	10.15
USD – US dollar	1.23	1.16	1.13	1.20

5 Accounting Policies

Recognition and measurement, as well as the explanatory information and notes, are generally based on the same recognition and measurement methods that were used to prepare the consolidated financial statements for the 2020 fiscal year. There were no seasonal or economic influences that had an impact on Vonovia's business activities in the reporting period.

Similarly, the impact of the coronavirus pandemic on Vonovia's business activities was not material during the reporting period.

The new standards and interpretations to be applied as of January 1, 2021, do not have any material effects on Vonovia's consolidated financial statements.

6 Subsequent Events

On August 23, 2021, Vonovia SE, Bochum, announced the start of the renewed voluntary public takeover offer for all outstanding shares in Deutsche Wohnen SE and published a corresponding offer document. As described in the offer document that was published, Vonovia is offering cash consideration of € 53.00 for each share in Deutsche Wohnen. The waiver of all terms and conditions of acceptance on September 13, 2021, meant that no further conditions applied to the execution of the transaction. The acceptance period is extended by two weeks and ends at midnight (CEST) on October 4, 2021. The further acceptance period starts on October 4 and ends at midnight (CEST) on October 21, 2021.

Between September 30 and the end of the extended acceptance period on October 21, a further 155,463,213 shares in Deutsche Wohnen had been offered during the extended acceptance period. In addition, 7,796,827 shares were received through the conversion of convertible bonds held by Vonovia SE as of September 30, 2021. All in all, the shares acquired on the market or by way of individual agreements together with the tendered shares account for around 87.6% of the share capital and voting rights of Deutsche Wohnen SE.

Vonovia assumed a "Lombard loan" of around € 250 million extended to Aggregate Holdings S.A., which is secured by 26.6% of the shares in the Adler Group, from a banking consortium.

Vonovia also concluded a call option for 13.3% of these shares in Adler-Group S.A. and with a term of eighteen months with Aggregate Holding.

Aggregate Holdings S.A. holds 26.6% of the shares in Adler-Group S.A.

Section (B): Profit for the Period

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

7 Income from Property Management

in € million	Jan. 1– Sep. 30, 2020	Jan. 1– Sep. 30, 2021
Rental income	1,708.8	1,764.7
Ancillary costs	578.5	595.1
Income from property letting	**2,287.3**	**2,359.8**
Other income from property management	53.3	57.0
	2,340.6	**2,416.8**

8 Profit on the Disposal of Properties

in € million	Jan. 1– Sep. 30, 2020	Jan. 1– Sep. 30, 2021
Income from the disposal of investment properties	256.2	206.7
Carrying amount of investment properties sold	-171.3	-138.4
Profit on the disposal of investment properties	**84.9**	**68.3**
Income from sale of assets held for sale	195.0	265.0
Retirement carrying amount of assets held for sale	-195.0	-265.0
Revaluation of assets held for sale	42.7	21.8
Profit on the disposal of assets held for sale	**42.7**	**21.8**
	127.6	**90.1**

The fair value adjustment of residential properties held for sale, for which a purchase contract had been signed but for which transfer of title had not yet taken place, led to a gain of € 21.8 million as of September 30, 2021 (Q1 to Q3 2020: € 42.7 million).

9 Profit on Disposal of Real Estate Inventories (Development)

Income from the sale of real estate inventories (Development) in the amount of € 328.8 million (Q1 to Q3 2020: € 181.6 million) consisted of € 300.1 million (Q1 to Q3 2020: € 136.5 million) in period-related income from the disposal of properties together with € 28.7 million (Q1 to Q3 2020: € 45.1 million) in time-related income from the disposal of properties.

10 Net Income from Fair Value Adjustments of Investment Properties

Major market developments and valuation parameters that have an impact on the fair values of Vonovia are assessed on an ongoing basis. The high levels of market momentum recognized once again in the third quarter of 2021 prompted the recognition of further increases in value as of September 30, 2021. This led to net income from the valuation of € 5,073.0 million for the first nine months of 2021 (Q1 to Q3 2020: € 1,830.2 million; see explanatory information in chapter [D19] "Investment Properties"). This includes € -1.6 million (Q1 to Q3 2020: € -2.8 million) for the measurement of right-of-use assets (IFRS 16).

In addition, 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 € 44.3 million for the period from January 1 to September 30, 2021 (Q1 to Q3 2020: € 44.3 million).

The recognition and valuation of investment properties, as well as the prior-year figures, are explained in detail in the 2020 Annual Report of Vonovia SE.

11 Cost of Materials

in € million	Jan. 1– Sep. 30, 2020	Jan. 1– Sep 30, 2021
Expenses for ancillary costs	571.4	580.6
Expenses for maintenance and modernization	420.7	429.9
Other cost of purchased goods and services	80.2	89.3
	1,072.3	**1,099.8**

12 Other Operating Income

During the reporting period, other operating income includes the increase in the value of the non-current equity investment in Deutsche Wohnen SE in the amount of € 87.5 million (Q1 to Q3 2020: €- million). The shares in Deutsche Wohnen SE were included in Vonovia's scope of consolidation as an associate as of July 21, 2021, and will be fully consolidated as of September 30, 2021. The income is due to the recognition of the non-current equity investment at its fair value in connection with the switch from inclusion using the equity method to full consolidation. As a result, it reflects the difference between the adjusted value using the equity method and fair value on the acquisition date.

13 Net income from investments accounted for using the equity method

Upon execution of a conditional purchase agreement on July 21, 2021, Vonovia SE held 21.89% of the share capital and voting rights of Deutsche Wohnen on this date, meaning that it obtained a significant influence. As a result, the shares in Deutsche Wohnen SE were classified as an associate from this point onwards. Between this date and the point at which Vonovia obtained control on September 30, 2021, a total of € 0.8 million (Q1 to Q3 2020: €- million) is recognized as net income from associates in connection with the shares in Deutsche Wohnen SE. In addition, net income of € 0.4 million (Q1 to Q3 2020: € 0.5 million) was realized in the first nine months of 2021 in connection with Vonovia's other associates.

14 Interest Income

in € million	Jan. 1– Sep. 30, 2020	Jan. 1– Sep. 30, 2021
Income from non-current securities and non-current loans	1.4	1.4
Other interest and similar income	16.1	3.5
	17.5	**4.9**

In the previous year, other interest and similar income included income from a bond issue above par in the amount of € 11.9 million.

15 Interest Expenses

in € million	Jan. 1– Sep. 30, 2020	Jan. 1– Sep. 30, 2021
Interest expense from non-derivative financial liabilities	282.8	275.2
Swaps (current interest expense for the period)	12.0	14.0
Effects from the valuation of non-derivative financial instruments	-47.5	-16.3
Effects from the valuation of swaps	42.4	-8.9
Prepayment penalties and commitment interest	4.3	2.8
Interest accretion to provisions	4.4	3.2
Interest from leases	11.4	11.4
Other financial expenses	0.4	-0.9
	310.2	**280.5**

16 Other Financial Result

in € million	Jan. 1– Sep. 30, 2020	Jan. 1– Sep. 30, 2021
Result from currency translation	0.1	-
Income from other investments	11.5	25.6
Transaction costs	-15.8	-92.8
Purchase price liabilities from put options/rights to reimbursement	-4.3	-38.8
Miscellaneous other financial result	-	-3.7
	-8.5	**-109.7**

Income from investments includes financial income from investments in other housing companies amounting to € 15.1 million (Q1 to Q3 2020: € 1.5 million). It also includes financial income resulting from the collection of profits from the investment in AVW GmbH & Co. KG, Hamburg, in the amount of € 10.5 million (Q1 to Q3 2020: € 9.3 million) for the previous fiscal year in each case. The transaction costs mainly relate to expenses in connection with the voluntary public takeover offers to the shareholders of Deutsche Wohnen SE, Berlin.

Section (C): Other Disclosures on the Results of Operations

17 Segment Reporting

The following table shows the segment information for the reporting period:

in € million	Rental	Value-add	Recurring Sales	Develop-ment	Segments total	Other*	Consolida-tion*	Group
Jan. 1–Sep. 30, 2021								
Segment revenue	1,762.7	840.1	422.2	492.0	3,517.0	644.6	-944.3	3,217.3
thereof external revenue	1,762.7	41.8	422.2	329.8	2,556.5	644.6	16.2	3,217.3
thereof internal revenue		798.3		162.2	960.5	–	-960.5	
Carrying amount of assets sold			-362.2		-362.2	-41.2		
Revaluation from disposal of assets held for sale			59.5		59.5	8.4		
Expenses for maintenance	-245.3				-245.3			
Cost of development to sell				-270.3	-270.3			
Cost of development to hold**				-117.9	-117.9		117.9	
Operating expenses***	-277.4	-724.5	-14.0	-24.0	-1,039.9	-2.1	754.9	
Ancillary costs						-595.1		
Adjusted EBITDA Total	1,240.0	115.6	105.5	79.8	1,540.9	14.6	-71.5	1,484.0
Non-recurring items								-26.0
Period adjustments from assets held for sale								-46.1
Income from investments in other real estate companies								15.0
EBITDA IFRS								1,426.9
Net income from fair value adjustments of investment properties								5,073.0
Depreciation and amortization								-255.8
Income from other investments								-25.6
Interest income								4.9
Interest expenses								-280.5
Other financial result								-109.7
EBT								5,833.2
Income taxes								-1,964.1
Profit for the period								**3,869.1**

* The revenue for the Rental, Value-add, Recurring Sales and Development segments constitutes income that is regularly reported to the Management Board as the chief operating decision-maker and that reflects Vonovia's sustainable business. The revenue/costs in the "Other" and "Consolidation" columns are not part of the Management Board's segment management.
** Excluding capitalized interest on borrowed capital of € 0.9 million (9M 2020 € 0.3 million).
*** Operating costs in the "other" column incl. € 0.8 million at-equity result Deutsche Wohnen.

in € million	Rental	Value-add	Recurring Sales	Develop-ment	Segments total	Other*	Consolida-tion*	Group
Jan. 1–Sep. 30, 2020								
Segment revenue**	1,706.9	800.0	296.5	408.2	3,211.6	733.2	-971.4	2,973.4
thereof external revenue	1,706.9	37.4	296.5	182.4	2,223.2	733.2	17.0	2,973.4
thereof internal revenue		762.6		225.8	988.4	–	-988.4	–
Carrying amount of assets sold			-238.4		-238.4	-127.8		
Revaluation from disposal of assets held for sale			26.8		26.8	11.7		
Expenses for maintenance	-234.9				-234.9			
Cost of development to sell				-145.0	-145.0			
Cost of development to hold				-181.5	-181.5		181.5	
Operating expenses	-293.3	-689.9	-10.0	-12.9	-1,006.1	-3.6	721.5	
Ancillary costs						-578.5		
Adjusted EBITDA Total	1,178.7	110.1	74.9	68.8	1,432.5	35.0	-68.4	1,399.1
Non-recurring items								-24.1
Period adjustments from assets held for sale								4.1
Income from investments in other real estate companies								1.5
EBITDA IFRS								1,380.6
Net income from fair value adjustments of investment properties								1,830.2
Depreciation and amortization								-66.4
Income from other investments								-11.5
Interest income								17.5
Interest expenses								-310.2
Other financial result								-8.5
EBT								2,831.7
Income taxes								-940.1
Profit for the period								**1,891.6**

* The revenue for the Rental, Value-add, Recurring Sales and Development segments constitutes income that is regularly reported to the Management Board as the chief operating decision-maker and that reflects Vonovia's sustainable business. The revenue/costs in the "Other" and "Consolidation" columns are not part of the Management Board's segment management.
** Adjusted (see note [A2] Adjustment to Prior-Year Figures in the interim financial statements of September 30, 2021).

The reporting of segment revenue was adjusted with the switch to the new internal reporting system. The corresponding prior-year figures have been adjusted. The main adjustments compared with the prior-year reporting period were as follows:

> The amount disclosed for external Value-add revenue (previously € 186.8 million) has been reduced by revenue (€ 135.6 million) charged to the Rental segment in connection with services and passed on to tenants there in the ancillary costs bills.

> Ancillary cost revenue is shown under external income in the Other category in full. Previously, these amounts were reported under Value-add (€ 135.6 million) and Consolidation (€ 442.9 million).

> The internal Value-add income has been reduced by the revenue from the management of subcontractors in the amount of € 367.0 million. It has also been increased by revenue charged to the Rental segment in connection with services and passed on to tenants there in the ancillary costs bills (€ 135.6 million).

> In the Development segment, the fair value for completed new buildings (€ 225.8 million) is shown as internal income. The corresponding production costs are reported under costs of Development to hold (€ 181.5 million).

> The internal income is completely eliminated in the Consolidation column. The ancillary cost income is matched by an identical value under costs, as the ancillary costs balance is allocated to operating expenses in the Rental segment.

> The operating expenses of the segments have been adjusted in line with the changes to the reporting of revenue in each case. This means that the changes in revenue reporting do not result in any changes to the Adjusted EBITDA reported for each segment in general.

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:

in € million	Jan. 1– Sep. 30, 2020	Jan. 1– Sep. 30, 2021
Transactions*	5.4	21.5
Personnel matters	12.1	0.3
Business model optimization	10.0	7.8
Research & development	–	2.8
Refinancing and equity measures	-3.4	-6.4
Total non-recurring items	**24.1**	**26.0**

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

The breakdown of non-Group revenue from contracts with customers (pursuant to IFRS 15.114f.) and its allocation to the segments referred to above is as follows:

in € million	Rental	Value-add	Recurring Sales	Development	Other	Consolida-tion	Total
Jan. 1–Sep. 30, 2021							
Revenue from ancillary costs (IFRS 15)	–	–	–	–	463.6	–	463.6
Income from the disposal of investment properties	–	–	184.3	–	22.4	–	206.7
Income from disposal of real estate inventories (Development)	–	–	–	328.8	–	–	328.8
Other revenue from contracts with customers	–	40.8	–	–	–	16.2	57.0
Revenue from contracts with customers	**–**	**40.8**	**184.3**	**328.8**	**486.0**	**16.2**	**1,056.1**
thereof period-related	–	–	–	300.1	–	–	300.1
thereof time-related	–	40.8	184.3	28.7	486.0	16.2	756.0
Income from rental income (IFRS 16)	1,762.7	1.0	–	1.0	–	–	1,764.7
Revenue from ancillary costs (IFRS 16)*	–	–	–	–	131.5	–	131.5
Income from sale of assets held for sale (IFRS 5)	–	–	237.9	–	27.1	–	265.0
Other revenue	**1,762.7**	**1.0**	**237.9**	**1.0**	**158.6**	**–**	**2,161.2**
Revenues	**1,762.7**	**41.8**	**422.2**	**329.8**	**644.6**	**16.2**	**3,217.3**
Jan. 1–Sep. 30, 2020**							
Revenue from ancillary costs (IFRS 15)	–	–	–	–	455.3	–	455.3
Income from the disposal of investment properties	–	–	183.1	–	73.1	–	256.2
Income from disposal of real estate inventories (Development)	–	–	–	181.6	–	–	181.6
Other revenue from contracts with customers	–	36.4	–	–	–	16.9	53.3
Revenue from contracts with customers	**–**	**36.4**	**183.1**	**181.6**	**528.4**	**16.9**	**946.4**
thereof period-related	–	–	–	136.5	–	–	136.5
thereof time-related	–	36.4	183.1	45.1	528.4	16.9	809.9
Income from rental income (IFRS 16)	1,706.9	1.0	–	0.8	–	0.1	1,708.8
Revenue from ancillary costs (IFRS 16)*	–	–	–	–	123.2	–	123.2
Income from sale of assets held for sale (IFRS 5)	–	–	113.4	–	81.6	–	195.0
Other revenue	**1,706.9**	**1.0**	**113.4**	**0.8**	**204.8**	**0.1**	**2,027.0**
Revenues	**1,706.9**	**37.4**	**296.5**	**182.4**	**733.2**	**17.0**	**2,973.4**

* Includes land tax and buildings insurance.
** The reporting of segment revenue was adjusted with the switch to the new internal reporting system. The corresponding prior-year figures have been adjusted. See explanation of segment reporting.

External income and non-current assets, excluding financial instruments, deferred taxes, post-employment benefits and rights under insurance contracts, are distributed among Vonovia's country of origin and other countries as follows. The revenue and the assets are allocated based on the registered office of the unit providing the service.

	External income		Assets	
in € million	Jan. 1– Sep. 30, 2020	Jan. 1– Sep. 30, 2021	Dec. 31, 2020	Sep. 30, 2021
Germany	2,451.1	2,551.8	49,902.9	88,523.8
Austria	271.9	394.4	3,189.9	3,259.2
Sweden	250.4	270.6	7,294.5	7,940.8
France	0.0	0.0	110.7	110.7
Other countries	0.0	0.5	117.5	161.6
Total	**2,973.4**	**3,217.3**	**60,615.5**	**99,996.1**

Section (D): Assets

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

18 Intangible Assets

Goodwill

Goodwill came to € 6,739.1 million as of September 30, 2021. This means that goodwill has risen by € 5,244.4 million compared with December 31, 2020. The change is due to the takeover of Deutsche Wohnen SE, which increased goodwill by € 5,448.6 million, an impairment loss of € 192.1 million and to a negative effect resulting from currency changes affecting the Swedish krona in the amount of € 12.1 million. The goodwill resulting from the acquisition of Fjord Immobilien GmbH (formerly H&L Immobilien GmbH) has been allocated in full to the North business area and impaired together with the goodwill of the North business area.

The impairment loss is the result of the impairment test performed in the second quarter of 2021. Within the meaning of IAS 36, the triggering event was the increase in the value of the real estate portfolio in the first half of the 2021 fiscal year amounting to € 3,698.6 million (thereof € 3,039.5 million in Germany and € 596.8 million in Sweden) in combination with the increased cost of capital of the Rental segment's business areas in Germany and the Sweden business area. Other than for these aforementioned business areas, no triggering events were identified for any other groups of cash-generating units.

The goodwill of the North and West business areas was impaired as a result of the impairment test as of June 30, 2021. There was no need for impairment of the Sweden business area.

In general, an increase in the value of the real estate portfolio increases the carrying amount of the groups of cash-generating units affected by the measurement, which can, in turn, lead to impairment losses being recognized on the goodwill allocated to the business areas.

As part of the impairment test as of June 30, 2021, and in accordance with IAS 36.19, first the value in use was calculated based on the Management Board-approved detailed plan with a planning period of five years. This was derived from the five-year plan at Group level approved by the Management Board and the Supervisory Board. With regard to the regional business areas of the Rental segment, the main drivers behind the results of the five-year plan are the increase in gross rental income and the planned vacancy rate.

The growth rate for the cash-generating units of the Rental segment was calculated regionally on the basis of in-place rents and limited to 1% for the segment as a whole. The main parameters for calculating the value in use are the sustainable rate of increase, the average total cost of capital (WACC) and the expected cash flows.

Parameters for WACC Calculation for the Rental segment (Germany)

	Dec. 31, 2020	Jun. 30, 2021
Risk-free interest rate in %	-0.20	0.30
Market risk premium in %	7.75	7.25
Levered beta	0.65	0.66
WACC (before tax) in %	3.80	4.00

The identified need for impairment relates to the North and West business areas, with the goodwill allocated in each case being completely written off. With the impairment loss recognized as of June 30, 2021, there is no remaining goodwill in the business areas of the Rental segment in Germany.

The impairment loss was recognized in the consolidated income statement under depreciation and amortization. The value in use for the North business area amounts to € 7.2 billion and to € 9.1 billion for the West business area.

Parameters for WACC Calculation for the Rental segment (Sweden)

	Dec. 31, 2020	Jun. 30, 2021
Risk-free interest rate in %	-0.20	0.30
Market risk premium in %	7.75	7.25
Levered beta	0.65	0.65
WACC (before tax) in %	3.60	3.75

The value in use for the Rental Sweden segment is € 6.9 billion.

In the Rental Sweden business area, all other things being equal, an impairment loss would be recognized against the allocated goodwill in the event of an increase in the average total cost of capital of 0.02 percentage points, with an increase of 0.30 percentage points triggering a full impairment. A decline in the growth rate of 0.02 percentage points would result in an impairment loss and a decline of 0.33 percentage points would result in a full impairment of the goodwill of the Rental Sweden business area. As of September 30, 2021, no triggering event for the performance of an impairment test had been identified.

19 Investment Properties

in € million	
As of Jan. 1, 2021	**58,071.8**
Additions due to business combinations	28,415.7
Additions	424.1
Capitalized modernization costs	724.8
Grants received	-2.4
Transfer from property, plant and equipment	0.7
Transfer from down payments made	0.1
Transfer from real estate inventories	3.8
Transfer to real estate inventories	-5.7
Transfer to assets held for sale	-976.0
Other transfers	-0.9
Disposals	-140.5
Net income from fair value adjustments of investment properties	5,073.0
Revaluation of assets held for sale	21.8
Revaluation from currency effects	-89.3
As of Sep. 30, 2021*	**91,521.0**
As of Jan. 1, 2020	**52,736.6**
Additions due to business combinations	123.0
Additions	605.1
Capitalized modernization costs	1,114.5
Grants received	-19.6
Transfer to property, plant and equipment	-10.7
Transfer from property, plant and equipment	12.8
Transfer from down payments made	42.2
Transfer from real estate inventories	14.2
Transfer to real estate inventories	-88.2
Transfer from assets held for sale	2.4
Transfer to assets held for sale	-298.1
Disposals	-217.6
Net income from fair value adjustments of investment properties	3,719.8
Revaluation of assets held for sale	78.2
Revaluation from currency effects	257.2
As of Dec. 31, 2020*	**58,071.8**

* The values as of Sep. 30, 2021 include assets of € 904.9 million (Dec. 31, 2020: € 425.4 million) that are measured using the acquisition cost model, as their fair value cannot be measured reliably on a continuing basis.

Vonovia determines fair value in accordance with the requirements of IAS 40 in conjunction with IFRS 13. We refer to the detailed information set out in the consolidated financial statements for 2020.

As part of the process involved in preparing the consolidated financial statements, the entire portfolio is valued on a regular basis. Due to the market momentum recognized in the first half of 2021, Vonovia decided to perform a new valuation on around three-quarters of the portfolio as of June 30, 2021. The high levels of market momentum recognized in the third quarter of 2021 prompted the recognition of further increases in value as of September 30, 2021.

20 Assets and Liabilities Held for Sale

Vonovia and Deutsche Wohnen sold around 14,750 residential and commercial units to public housing companies in Berlin in September 2021. In addition to properties (asset deal), 17 property-holding companies (share deal) were also sold, with all transfers of ownership to be made in 2022.

As a result – and in addition to the individual housing stocks worth a total of € 1,417.9 million – the other assets and liabilities of the property-holding companies being disposed of are also being reclassified in the balance sheet and reported as a disposal group.

The following assets and liabilities were reclassified as of the reporting date:

in € million	
Investment properties	1,038.6
Trade receivables	1.0
Cash and cash equivalents	1.1
Other assets	3.5
Transfer to assets held for sale	**1,044.2**
Provisions	1.9
Non-derivative financial liabilities	199.3
Deferred tax liabilities	131.8
Other liabilities	4.7
Transfer to liabilities associated with assets classified as held for sale	**337.7**

The assets held for sale also include properties totaling € 616.5 million (Dec. 31, 2020: € 164.9 million) for which notarized purchase contracts had already been signed as of the reporting date as part of the ordinary sales activities.

Section (E): Capital Structure

21 Total Equity

Development of the Subscribed Capital

in €	
As of Jan. 1, 2021	**565,887,299.00**
Capital increase against non-cash contributions on May 17, 2021 (scrip dividend)	9,370,028.00
As of Sep. 30, 2021	**575,257,327.00**

Development of the Capital Reserves

in €	
As of Jan. 1, 2021	**9,037,861,361.33**
Premium from capital increase for scrip dividend on May 17, 2021	460,939,787.40
Transaction costs on the issue of new shares (after allowing for deferred taxes)	-419,603.88
Other changes not affecting net income	-2,112,139.89
As of Sep. 30, 2021	**9,496,269,404.96**

Dividend

The Annual General Meeting held on April 16, 2021, resolved to pay a dividend for the 2020 fiscal year in the amount of € 1.69 per share, € 956.3 million in total.

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 49.18% of the shares carrying dividend rights opted for the scrip dividend instead of the cash dividend. As a result, 9,370,028 new shares were issued using the company's authorized capital pursuant to Section 5b of the Articles of Association ("2018 authorized capital") at a subscription price of € 50.193, i.e., a total amount of € 470,309,815.40. The total amount of the dividend distributed in cash therefore came to € 486,039,719.91.

Authorized Capital

After being used in connection with the capital increase in 2021, the 2018 authorized capital fell by € 9,370,028.00 from € 194,741,048.00 to € 185,371,020.00 as of September 30, 2021. Shareholder subscription rights for the 2018 authorized capital can be excluded.

22 Non-derivative Financial Liabilities

	Dec. 31, 2020		Sep. 30, 2021	
in € million	non-current	current	non-current	current
Non-derivative financial liabilities				
Liabilities to banks	6,375.2	533.8	13,121.1	1,617.8
Liabilities to other creditors	15,999.9	1,060.7	24,973.6	6,101.1
Deferred interest from non-derivative financial liabilities	-	115.1	-	170.2
	22,375.1	**1,709.6**	**38,094.7**	**7,889.1**

The U.S. dollar bond issued in 2013 is translated at the exchange rate at the end of the reporting period in line with applicable IFRS provisions. Allowing for the hedging rate prescribed through the interest hedging transaction entered into, this financial liability would be € 31.6 million lower than the recognized value (Dec. 31, 2020: € 18.9 million).

The nominal obligations of the liabilities to banks and the liabilities to other creditors developed as follows:

in € million	Dec. 31, 2020	Sep. 30, 2021
Bond (USD)*	185.0	185.0
Bond (EMTN)*	15,300.0	24,800.0
Bond (Green Bond) *	–	600.0
Promissory note loan*	50.0	250.0
Mortgages**	8,516.6	8,212.7
Deutsche Wohnen		
Convertible bonds***	–	1,221.0
Other financing****	–	10,339.0
	24,051.6	**45,607.7**

* Under the conditions of existing loan agreements, Vonovia is obliged to fulfill certain financial covenants, which it fulfilled.
** For a portion of the mortgages, Vonovia is obliged to fulfill certain financial covenants, which it fulfilled.
*** Under the conditions of existing loan agreements, Deutsche Wohnen is obliged to fulfill certain financial covenants, which it fulfilled.
**** This includes mortgages, bonds, registered bonds and bearer bonds. For a portion of the financings, Deutsche Wohnen is obliged to fulfill certain financial covenants, which it fulfilled.

Of the nominal obligations to creditors, € 13,178.5 million (Dec. 31, 2020: € 7,287.6 million) are secured by land charges and other collateral (account pledge agreements, assignments, pledges of company shares and guarantees of Vonovia SE or other Group companies). In the event that payment obligations are not fulfilled, the securities provided are used to satisfy the claims of the banks.

Repayment of Secured Financing

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.

Issue of Bonds Under the European Medium-Term Notes Program (EMTN)

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.

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.

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%.

Promissory Note Loans

M.M. Warburg provided Vonovia SE with € 20.0 million as part of a fully digital registered bond in January 2021. It has a term of three years.

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

A promissory note loan in the amount of € 60.0 million with an eight-year term was provided by Degussa Bank in March 2021.

Also in March, M.M. Warburg subscribed to a promissory note of Vonovia SE in the amount of € 20.0 million and with a two-year term.

New Portfolio Loans

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.

Bridge Financing

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.

Working Capital Facility

Commerzbank, Bank of America, BNP Paribas, Deutsche Bank, ING, Morgan Stanley, Société Générale and UniCredit provided Vonovia with a working capital facility of € 2,000.0 million, initially with a three-year term, in an agreement dated September 30, 2021. This credit line had not been used as of September 30, 2021.

23 Leases

The following table shows the development of right-of-use assets arising from leases within the meaning of IFRS 16 as of September 30, 2021, compared with December 31, 2020.

Development of Right-of-Use Assets

in € million	Dec. 31, 2020	Sep. 30, 2021
Right-of-use assets		
Leasehold contracts	1,431.9	1,508.0
Interim rental agreements	1.3	4.2
Right-of-use assets within investment properties	**1,433.2**	**1,512.2**
Leasing of land for the construction of owner-occupied commercial properties	27.3	27.4
Lease agreements	22.9	29.0
Contracting	15.9	58.7
Vehicle leases	2.6	5.0
Tenancy and license agreements	0.6	0.5
Leases of IT equipment	3.0	2.5
Metering technology	–	23.7
Right-of-use assets within property, plant and equipment	**72.3**	**146.8**
	1,505.5	**1,659.0**

The following table shows the development of current and non-current liabilities arising from leases within the meaning of IFRS 16 as of September 30, 2021, compared with December 31, 2020.

Development of Lease Liabilities

	Dec. 31, 2020		Sep. 30, 2021	
in € million	non-current	current	non-current	current
Lease liabilities				
Leasehold contracts (IAS 40)	407.2	10.6	470.2	11.8
Interim rental agreements	0.4	0.9	2.6	1.4
Leasing of land for the construction of owner-occupied commercial properties	27.8	0.1	27.8	0.1
Lease agreements	14.9	8.3	20.1	9.1
Contracting	13.6	5.0	47.2	12.5
Vehicle leases	1.1	1.5	2.8	2.2
Tenancy and license agreements	0.6	0.1	0.5	0.1
Leases of IT equipment	1.7	1.3	1.2	1.3
Metering technology	–	–	19.8	4.0
	467.3	**27.8**	**592.2**	**42.5**

24 Other Liabilities

The year-on-year increase in other liabilities is mainly due to the inclusion of a purchase price liability in connection with put options for the outstanding shares in Deutsche Wohnen SE in the amount of € 12.0 billion. This is mainly due to the application of the anticipated acquisition method as of the date of first-time consolidation of Deutsche Wohnen SE. It reflects the potential tender of all outstanding shares (including those already tendered as of September 30, 2021) of Deutsche Wohnen SE during the extended tender period. The valuation is consistent with the public takeover offer with a price of € 53.00 per share.

Section (F): Additional Financial Management Disclosures

25 Additional Financial Instrument Disclosures

Measurement categories and classes:

in € million	Carrying amounts Sep. 30, 2021
Assets	
Cash and cash equivalents	
Cash on hand and deposits at banking institutions	1,274.8
Money market funds	898.5
Trade receivables	
Receivables from the sale of properties	77.3
Receivables from property letting	63.4
Other receivables from trading	18.6
Receivables from sale of real estate inventories (Development)	299.0
Financial assets	
Investments valued at equity	389.8
Non-current finance lease receivables	24.3
Other current financial receivables from financial transactions*	999.9
Loans to other investments	33.2
Other non-current loans	13.5
Dividends from other investments	950.4
Non-current securities	5.1
Other investments	361.8
Derivative financial assets	
Cash flow hedges (cross currency swaps)	37.0
Stand-alone interest rate swaps and interest rate caps as well as embedded derivatives	9.7
Liabilities	
Trade payables	359.9
Non-derivative financial liabilities	45,983.8
Derivative financial liabilities	
Purchase price liabilities from put options/rights to reimbursement	271.4
Stand-alone interest rate swaps and interest rate caps	65.5
Cash flow hedges	21.9
Lease liabilities	634.7
Liabilities from tenant financing	159.9
Liabilities to non-controlling interests	243.1

* This includes time deposits and short-term investments in highly liquid money market funds with an original maturity of more than three months.

Amounts recognized in balance sheet in accordance with IFRS 9						
Amortized cost	Fair value affecting net income	Fair value recognized in equity with reclassification	Fair value recognized in equity without reclassification	Amounts recognized in balance sheet in acc. with IFRS 16/IAS 28	Fair value Sep. 30, 2021	Fair value hierarchy level
1,274.8					1,274.8	1
898.5					898.5	2
77.3					77.3	2
63.4					63.4	2
18.6					18.6	2
299.0					299.0	2
				389.8	389.8	n.a.
				24.3	24.3	
999.9					999.9	1
33.2					57.2	2
13.5					13.5	2
950.4					950.4	2
			5.1		5.1	1
			361.8		361.8	2
	-9.4	46.4			37.0	2
	9.7				9.7	2
359.9					359.9	2
45,983.8					-47,110.6	2
271.4					271.4	3
	65.5				65.5	2
	14.6	7.3			21.9	2
				634.7		
159.9					159.9	2
243.1					243.1	2

Measurement categories and classes:

in € million	Carrying amounts Dec. 31, 2020
Assets	
Cash and cash equivalents	
Cash on hand and deposits at banking institutions	613.3
Trade receivables	
Receivables from the sale of properties	65.3
Receivables from property letting	38.0
Other receivables from trading	16.0
Receivables from the sale of real estate inventories (Development)	149.6
Financial assets	
Investments valued at equity	32.9
Loans to other investments	33.3
Other non-current loans	11.3
Non-current securities	4.9
Other investments	311.2
Derivative financial assets	
Cash flow hedges (cross currency swaps)	18.8
Stand-alone interest rate swaps and interest rate caps as well as embedded derivatives	4.0
Liabilities	
Trade payables	234.5
Non-derivative financial liabilities	24,084.7
Derivative financial liabilities	
Purchase price liabilities from put options/rights to reimbursement	220.5
Stand-alone interest rate swaps and interest rate caps	47.2
Cash flow hedges	31.3
Lease liabilities	495.1
Liabilities from tenant financing	163.4
Liabilities to non-controlling interests	43.1

The section below provides information on the financial assets and financial liabilities not covered by IFRS 9:

> Employee benefits in accordance with IAS 19: gross presentation of right to reimbursement arising from transferred pension obligations in the amount of € 3.8 million (Dec. 31, 2020: € 4.3 million).

> Amount by which the fair value of plan assets exceeds the corresponding obligation of € 0.4 million (Dec. 31, 2020: € 0.8 million).

> Provisions for pensions and similar obligations: € 674.1 million (Dec. 31, 2020: € 627.8 million).

Amounts recognized in balance sheet in accordance with IFRS 9						
Amortized cost	Fair value affecting net income	Fair value recognized in equity with reclassification	Fair value recognized in equity without reclassification	Amounts recognized in balance sheet in acc. with IFRS 16/IAS 28	Fair value Dec. 31, 2020	Fair value hierarchy level
613.3					613.3	1
65.3					65.3	2
38.0					38.0	2
16.0					16.0	2
149.6					149.6	2
				32.9	32.9	n.a.
33.3					63.3	2
11.3					11.3	2
			4.9		4.9	1
			311.2		311.2	2
	-13.1	31.9			18.8	2
	4.0				4.0	2
234.5					234.5	2
24,084.7					25,767.7	2
220.5					220.5	3
	47.2				47.2	2
	12.1	19.2			31.3	2
				495.1		
163.4					163.4	2
43.1					43.1	2

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

in € million	**Sep. 30, 2021**	Level 1	Level 2	Level 3
Assets				
Investment properties	91,521.0			91,521.0
Financial assets				
Non-current securities	5.1	5.1		
Other investments	361.8		361.8	
Assets held for sale				
Investment properties (contract closed)	2,034.4		2,034.4	
Derivative financial assets				
Cash flow hedges (cross currency swaps)	37.0		37.0	
Stand-alone interest rate swaps and caps as well as embedded derivatives	9.7		9.7	
Liabilities				
Derivative financial liabilities				
Cash flow hedges	21.9		21.9	
Stand-alone interest rate swaps and caps	65.5		65.5	

in € million	**Dec. 31, 2020**	Level 1	Level 2	Level 3
Assets				
Investment properties	58,071.8			58,071.8
Financial assets				
Non-current securities	4.9	4.9		
Other investments	311.2		311.2	
Assets held for sale				
Investment properties (contract closed)	164.9		164.9	
Derivative financial assets				
Cash flow hedges (cross currency swaps)	18.8		18.8	
Stand-alone interest rate swaps and caps as well as embedded derivatives	4.0		4.0	
Liabilities				
Derivative financial liabilities				
Cash flow hedges	31.3		31.3	
Stand-alone interest rate swaps and caps	47.2		47.2	

In general, Vonovia measures its investment properties on the basis of the discounted cash flow (DCF) methodology (Level 3). The material valuation parameters and valuation results can be found in chapter [D28] Investment Properties of the consolidated financial statements as of December 31, 2020.

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

No financial instruments were reclassified to different hierarchy levels as against the comparative period.

Securities are generally measured using the quoted prices in active markets (Level 1).

For the measurement of financial instruments, cash flows are initially calculated and then discounted. In addition to the tenor-specific EURIBOR/STIBOR rates (3M; 6M), the respective credit risk is taken as a basis for discounting. Depending on the expected cash flows, either Vonovia's own credit risk or the counterparty risk is taken into account in the calculation.

For the consolidated financial statements, Vonovia's own credit risk was fundamentally relevant for interest rate swaps. This credit risk is derived for material risks from rates observable on the capital markets and ranges from 5 to 143 basis points, depending on the residual maturities of financial instruments. Regarding the positive market values of the cross currency swaps, a counterparty risk of 18 basis points was taken into account.

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

The fair values of the cash and cash equivalents, trade receivables and other financial receivables and short-term financial investments approximate their carrying amounts at the reporting date owing to their mainly short maturities. The amount of the estimated impairment loss on cash and cash equivalents was calculated based on the losses expected over a period of twelve months. It was determined that the cash and cash equivalents have a low risk of default due to the external ratings and short residual maturities and that there is no need for any material impairment of cash and cash equivalents and short-term financial investments.

Risk in the area of rent receivables was examined through an analysis of the reduced general creditworthiness (as a special forward-looking parameter of impairment losses for financial assets as defined by IFRS 9). As Vonovia receives rent payments mostly in advance, only deferred rents and similar receivables are affected. Since these receivables are very soon subject to a specific impairment loss, an additional need for impairment loss is currently not foreseeable. The further development of the receivables is continuously monitored.

In the area of receivables from the sale of properties, the credit risk is compensated for by Vonovia retaining ownership of the property until the purchase price is paid.

Vonovia is involved in a number of legal disputes resulting from normal business activities. In particular, these involve tenancy, construction and sales law disputes and, in individual cases, company law disputes (mainly following squeeze-out processes). None of the legal disputes, taken in isolation, will have any material effects on the net assets, financial position or results of operations of Vonovia.

Bochum, October 27, 2021

Rolf Buch (CEO)	Arnd Fittkau (CRO)
Helene von Roeder (CFO)	Daniel Riedl (CDO)

Audited Consolidated Financial Statements of Vonovia SE as of and for the financial year ended December 31, 2020 (IFRS)

Consolidated Income Statement

for the period from January 1 to December 31

in € million	Notes	2019	2020
Income from property letting		2,840.8	3,069.4
Other income from property management		69.9	77.7
Income from property management	B10	**2,910.7**	**3,147.1**
Income from disposal of properties		510.7	586.3
Carrying amount of properties sold		-441.6	-482.4
Revaluation of assets held for sale		59.7	78.2
Profit on disposal of properties	B11	**128.8**	**182.1**
Income from the disposal of properties (Development)		249.5	297.7
Cost of sold properties		-197.3	-235.9
Profit on the disposal of properties (Development)	B12	**52.2**	**61.8**
Net income from fair value adjustments of investment properties	B13	4,131.5	3,719.8
Capitalized internal expenses	B14	687.2	659.4
Cost of materials	B15	-1,463.0	-1,493.4
Personnel expenses	B16	-535.7	-594.9
Depreciation and amortization		-2,175.8	-92.3
Other operating income	B17	105.7	163.0
Impairment losses on financial assets		-28.6	-40.0
Gains resulting from the derecognition of financial assets measured at amortized cost		5.2	0.0
Other operating expenses	B18	-295.3	-278.8
Net income from investments accounted for using the equity method		0.6	2.7
Interest income	B19	8.9	21.9
Interest expenses	B20	-417.5	-411.4
Other financial result	B21	24.0	-32.6
Earnings before tax		**3,138.9**	**5,014.4**
Income taxes	B22	-1,844.6	-1,674.4
Profit for the period		**1,294.3**	**3,340.0**
Attributable to:			
Vonovia's shareholders		1,147.0	3,228.5
Vonovia's hybrid capital investors		40.0	40.0
Non-controlling interests		107.3	71.5
Earnings per share (basic and diluted) in €	C24	**2.15**	**5.87**

Consolidated Statement of Comprehensive Income

for the period from January 1 to December 31

in € million	2019	2020
Profit for the period	**1,294.3**	**3,340.0**
Change in unrealized gains/losses	2.0	-10.1
Taxes on the change in unrealized gains/losses	-0.6	3.3
Net realized gains/losses	9.8	34.1
Taxes due to net realized gains/losses	-0.1	-8.0
Profit on cash flow hedges	**11.1**	**19.3**
Changes in the period	-13.7	177.0
Tax effect	–	-25.1
Profit on currency translation differences	**-13.7**	**151.9**
Items which will be recognized in profit or loss in the future	**-2.6**	**171.2**
Changes in the period	48.6	9.0
Taxes on changes in the period	0.4	-0.2
Profit on equity instruments at fair value in other comprehensive income	**49.0**	**8.8**
Change in actuarial gains/losses, net	-53.7	-18.6
Tax effect	17.5	5.8
Profit on actuarial gains and losses from pensions and similar obligations	**-36.2**	**-12.8**
Items which will not be recognized in profit or loss in the future	**12.8**	**-4.0**
Other comprehensive income	**10.2**	**167.2**
Total comprehensive income	**1,304.5**	**3,507.2**
Attributable to:		
Vonovia's shareholders	1,159.3	3,395.8
Vonovia's hybrid capital investors	40.0	40.0
Non-controlling interests	105.2	71.4

Consolidated Balance Sheet

Assets

in € million	Notes	Dec. 31, 2019*	Dec. 31, 2020
Intangible assets	D26	1,504.2	1,611.7
Property, plant and equipment	D27	358.6	387.6
Investment properties	D28	52,736.6	58,071.8
Financial assets	D29	331.7	416.0
Other assets	D30	54.7	128.5
Deferred tax assets		59.3	16.4
Total non-current assets		**55,045.1**	**60,632.0**
Inventories	D32	8.8	8.7
Trade receivables	D33	205.7	268.9
Financial assets	D29	0.7	0.4
Other assets	D30	138.0	119.0
Income tax receivables	D31	84.7	39.8
Cash and cash equivalents	D34	500.7	613.3
Real estate inventories	D35	358.3	570.4
Assets held for sale	D36	134.1	164.9
Total current assets		**1,431.0**	**1,785.4**
Total assets		**56,476.1**	**62,417.4**

* Adjusted (see explanatory information in chapter [A2] Adjustment to Prior-year Figures in the notes to the consolidated financial statements).

Equity and Liabilities

in € million	Notes	Dec. 31, 2019*	Dec. 31, 2020
Subscribed capital		542.3	565.9
Capital reserves		8,239.7	9,037.9
Retained earnings		10,534.4	13,368.2
Other reserves		-8.1	171.9
Total equity attributable to Vonovia's shareholders		**19,308.3**	**23,143.9**
Equity attributable to hybrid capital investors		1,001.6	1,001.6
Total equity attributable to Vonovia's shareholders and hybrid capital investors		**20,309.9**	**24,145.5**
Non-controlling interests		813.9	686.3
Total equity	E37	**21,123.8**	**24,831.8**
Provisions	E38	662.4	711.3
Trade payables	E39	5.1	5.0
Non-derivative financial liabilities	E40	21,198.0	22,375.1
Derivatives	E41	74.1	76.8
Lease liabilities	E42	442.6	467.3
Liabilities to non-controlling interests	E43	21.2	26.8
Financial liabilities from tenant financing	E44	44.4	45.3
Other liabilities	E45	26.1	2.6
Deferred tax liabilities		9,288.2	10,959.6
Total non-current liabilities		**31,762.1**	**34,669.8**
Provisions	E38	530.2	389.0
Trade payables	E39	219.1	229.5
Non-derivative financial liabilities	E40	2,376.9	1,709.6
Derivatives	E41	41.0	222.2
Lease liabilities	E42	28.3	27.8
Liabilities to non-controlling interests	E43	12.9	16.3
Financial liabilities from tenant financing	E44	117.8	118.1
Other liabilities	E45	264.0	203.3
Total current liabilities		**3,590.2**	**2,915.8**
Total liabilities		**35,352.3**	**37,585.6**
Total equity and liabilities		**56,476.1**	**62,417.4**

* Adjusted (see explanatory information in chapter [A2] Adjustment to Prior-year Figures in the notes to the consolidated financial statements).

Consolidated Statement of Cash Flows

for the period from January 1 to December 31

in € million	Notes	2019	2020
Profit for the period		1,294.3	3,340.0
Net income from fair value adjustments of investment properties	B13	-4,131.5	-3,719.8
Revaluation of assets held for sale	B11	-59.7	-78.2
Depreciation and amortization		2,175.8	92.3
Interest expenses/income and other financial result	B19/B20/B21	396.4	435.5
Income taxes	B22	1,844.6	1,674.4
Results from disposals of investment properties	B11	-69.1	-103.9
Results from disposals of other non-current assets		0.3	-0.1
Other expenses/income not affecting cash		2.7	3.2
Change in working capital		55.4	-134.6
Income tax paid		46.7	-78.3
Cash flow from operating activities		**1,555.9**	**1,430.5**
Proceeds from disposals of investment properties and assets held for sale		702.7	587.4
Proceeds from disposals of other assets		695.8	0.8
Payments for investments in investment properties	D28	-2,092.0	-1,723.7
Payments for investments in other assets	D26/D27/D29	-101.4	-272.3
Payments for acquisition of shares in consolidated companies, in due consideration of liquid funds	A4	-1,716.2	-330.3
Interest received		5.4	8.2
Cash flow from investing activities		**-2,505.7**	**-1,729.9**

in € million	Notes	2019	2020
Capital contributions on the issue of new shares (including premium)	E37	744.2	1,003.0
Cash paid to shareholders of Vonovia SE and non-controlling interests	E37	-417.7	-520.8
Cash paid to hybrid capital investors	E37	-40.0	-40.0
Proceeds from issuing financial liabilities	E40	5,333.2	4,188.6
Cash repayments of financial liabilities	E40	-3,626.6	-3,721.5
Cash repayments of lease liabilities	E42	-22.4	-23.1
Payments for transaction costs in connection with capital measures	E40	-54.6	-42.4
Payments for other financing costs		-41.5	-17.7
Payments in connection with the disposal of shares in non-controlling interests	A4	-576.1	-14.3
Interest paid		-395.7	-409.2
Cash flow from financing activities		902.8	402.6
Influence of changes in foreign exchange rates on cash and cash equivalents		–	9.4
Net changes in cash and cash equivalents		-47.0	112.6
Cash and cash equivalents at the beginning of the period	D34	547.7	500.7
Cash and cash equivalents at the end of the period*		**500.7**	**613.3**

* Thereof restricted cash € 159.9 million (Dec. 31, 2019: € 97.3 million).

Consolidated Statement of Changes in Equity

				Other reserves	
in € million	Subscribed capital	Capital reserves	Retained earnings	Cash flow hedges	Equity instruments at fair value in other comprehensive income
As of Jan. 1, 2020	**542.3**	**8,239.7**	**10,534.4**	**-52.2**	**41.2**
Profit for the period			**3,228.5**		
Changes in the period			-12.7	-6.8	8.8
Reclassification affecting net income				26.1	
Other comprehensive income			**-12.7**	**19.3**	**8.8**
Total comprehensive income			**3,215.8**	**19.3**	**8.8**
Capital increase	23.6				
Premium on the issue of new shares		1,326.2			
Transaction costs in connection with the issue of shares		-5.8			
Withdrawal from the capital reserves		-522.2	522.2		
Dividend distributed by Vonovia SE			-851.4		
Changes recognized directly in equity			-52.8		
As of Dec. 31, 2020	**565.9**	**9,037.9**	**13,368.2**	**-32.9**	**50.0**
As of Jan. 1, 2019	**518.1**	**7,183.4**	**9,942.0**	**-63.3**	**284.8**
Application of new standards			-34.0		
Deferred tax liabilities from the application of new standards			10.6		
As of Jan. 1, 2019 adjusted	**518.1**	**7,183.4**	**9,918.6**	**-63.3**	**284.8**
Profit for the period			**1,147.0**		
Changes in the period			-35.5	1.4	49.0
Reclassification affecting net income				9.7	
Other comprehensive income			**-35.5**	**11.1**	**49.0**
Total comprehensive income			**1,111.5**	**11.1**	**49.0**
Capital increase	24.2				
Premium on the issue of new shares		1,061.3			
Transaction costs in connection with the issue of shares		-5.0			
Dividend distributed by Vonovia SE			-746.0		
Sale of equity instruments at fair value in other comprehensive income			292.6		-292.6
Changes recognized directly in equity			-42.3		
As of Dec. 31, 2019	**542.3**	**8,239.7**	**10,534.4**	**-52.2**	**41.2**

Currency translation differences	Total	Equity attributable to Vonovia's shareholders	Equity attributable to Vonovia's hybrid capital investors	Equity attributable to Vonovia's share-holders and hybrid capital investors	Non-controlling interests	Total equity
2.9	**-8.1**	**19,308.3**	**1,001.6**	**20,309.9**	**813.9**	**21,123.8**
		3,228.5	**40.0**	**3,268.5**	**71.5**	**3,340.0**
151.9	153.9	141.2		141.2	-0.1	141.1
	26.1	26.1		26.1		26.1
151.9	**180.0**	**167.3**		**167.3**	**-0.1**	**167.2**
151.9	**180.0**	**3,395.8**	**40.0**	**3,435.8**	**71.4**	**3,507.2**
		23.6		23.6		23.6
		1,326.2		1,326.2		1,326.2
		-5.8		-5.8		-5.8
		0.0		0.0		0.0
		-851.4		-851.4		-851.4
		-52.8	-40.0	-92.8	-199.0	-291.8
154.8	**171.9**	**23,143.9**	**1,001.6**	**24,145.5**	**686.3**	**24,831.8**
15.2	**236.7**	**17,880.2**	**1,001.6**	**18,881.8**	**782.3**	**19,664.1**
		-34.0		-34.0	-1.0	-35.0
		10.6		10.6	0.3	10.9
15.2	**236.7**	**17,856.8**	**1,001.6**	**18,858.4**	**781.6**	**19,640.0**
		1,147.0	**40.0**	**1,187.0**	**107.3**	**1,294.3**
-12.3	38.1	2.6		2.6	-2.1	0.5
	9.7	9.7		9.7		9.7
-12.3	**47.8**	**12.3**		**12.3**	**-2.1**	**10.2**
-12.3	**47.8**	**1,159.3**	**40.0**	**1,199.3**	**105.2**	**1,304.5**
		24.2		24.2		24.2
		1,061.3		1,061.3		1,061.3
		-5.0		-5.0		-5.0
		-746.0		-746.0		-746.0
	-292.6	0.0		0.0		0.0
		-42.3	-40.0	-82.3	-72.9	-155.2
2.9	**-8.1**	**19,308.3**	**1,001.6**	**20,309.9**	**813.9**	**21,123.8**

Notes

Section (A): Principles of the Consolidated Financial Statements

1 General Information

Vonovia SE is incorporated and domiciled in Germany. The company is registered in the commercial register at the local court in Bochum under HRB 16879. Its registered office is at Universitätsstraße 133, 44803 Bochum, Germany.

The consolidated financial statements as of and for the year ended December 31, 2020, have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted in the EU. In addition, the supplementary commercial law provisions under Section 315e (1) of the German Commercial Code (HGB) have been observed. Changes due to reclassifications are set out in chapter [A2] Adjustment to Prior-year Figures.

The consolidated financial statements have been prepared on the basis of amortized cost except for investment properties, assets held for sale, derivative financial instruments, plan assets and equity instruments at fair value in other comprehensive income. These are measured at their fair value. The income statement has been prepared using the nature of expense method.

These consolidated financial statements are presented in euros, which is the Group's functional currency. Unless stated otherwise, all figures are shown in million euros (€ million).

The following overview indicates the chapters on the individual topics containing disclosures on accounting policies, judgments and estimates:

Chapter	Accounting policies, judgments, estimates
A6	Currency translation
A7	Government grants
B	Recognition of income and expenses
B12	Profit on the disposal of properties (Development)
B22	Income taxes
C24	Earnings per share
D26	Other intangible assets/goodwill
D27	Property, plant and equipment
D28	Investment properties
D29	Financial assets
D32	Inventories
D33	Impairment losses on financial assets
D34	Cash and cash equivalents
D35	Real estate inventories
D36	Assets held for sale
E37	Income and expense recognized directly in other comprehensive income
E38	Provisions for pensions and similar obligations/other provisions
E40	Non-derivative financial liabilities
E42	Leases
E43	Liabilities to non-controlling interests
E44	Financial liabilities from tenant financing
F47	Share-based payment

2 Adjustment to Prior-year Figures

Balance Sheet

The total consideration for the acquisition of the Hembla Group was allocated with definitive effect as of June 30, 2020. Compared with the provisional allocation as of December 31, 2019, embedded derivatives in the form of termination options amounting to € 78.2 million were also recognized. Inversely, deferred tax liabilities of € 16.1 million were recognized. In addition, further acquisitions classified as "linked transactions" were taken into account. As a result, minority interests increased by € 54.1 million, while the purchase price liability included in other liabilities decreased by € 91.8 million. Goodwill was reduced by € 99.8 million in comparison as a result. The corresponding prior-year figures were adjusted as of the date of first-time consolidation.

Segment Report

Used to measure the performance of the segments over time, segment revenue serves as another growth indicator for Vonovia from the 2020 fiscal year onwards. Total Segment Revenue includes all income generated by the four segments that contributes to value creation, i.e. that covers costs and makes an earnings contribution. The corresponding reporting is based on the internal reporting to the Management Board, as the chief operating decision-maker, which was adjusted in 2020 and reflects the change with regard to the relevance of "Total Segment Revenue" from a corporate management perspective. The corresponding prior-year figures have been adjusted to reflect the new reporting system. Detailed information on the composition of Total Segment Revenue can be found in Chapter [C23] Segment Reporting.

3 Consolidation Principles

Business Combinations

An entity shall account for each business combination by applying the acquisition method if it obtains control. All hidden reserves and charges of the company acquired are disclosed as part of the necessary remeasurement. Any excess of the cost of a business combination over the net fair value of the identifiable assets, liabilities and contingent liabilities, following the disclosure of hidden reserves and charges, is recognized as goodwill in the balance sheet. The consideration transferred at the time of the acquisition and the identifiable net assets that are acquired are measured at fair value as a general rule. Transaction costs are recognized as an expense immediately insofar as they do not relate to costs pertaining to the raising of capital or the issue of debt capital.

Subsidiaries

Subsidiaries are companies that are controlled by the Group. The Group controls an investee if it is exposed to risks or has rights to variable returns from its involvement with the investee and has the ability to use its power of control over the investee to influence the level of these returns. In the process of full consolidation, the assets and liabilities of a subsidiary are included in the consolidated financial statements in their entirety. Subsidiaries are included in the consolidated financial statements from the date on which Vonovia SE obtains control until the day control ceases.

Non-Controlling Interests

The equity of a subsidiary that is not attributable to Vonovia is shown as a separate component of equity under non-controlling interests. Non-controlling interests are measured based on their share of the identified net assets of the acquired company at the time of acquisition.

Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are equity transactions.

Loss of Control

If Vonovia loses control over a subsidiary, the assets and liabilities of the subsidiary in question as well as any corresponding non-controlling interests are derecognized. The result is recognized in the income statement. Any investment retained is recognized at fair value when control is lost.

Associates and Joint Arrangements

Associates and joint arrangements classified as joint ventures are accounted for using the equity method. An associate is an entity over which the investor has significant influence. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. If the arrangement involves rights to the assets and obligations for the liabilities of a joint arrangement instead, then these are recognized using quota consolidation.

Business Transactions Eliminated on Consolidation

The effects of the business transactions between the entities included in the Vonovia consolidated financial statements are eliminated.

Results from business transactions with companies accounted for using the equity method are only eliminated in line with the Group's share in the investee.

The financial statements of Vonovia SE and all subsidiaries are consistently prepared according to uniform accounting policies.

4 Scope of Consolidation and Business Combinations

All in all, and including Vonovia SE, as of December 31, 2020, 588 companies (Dec. 31, 2019: 620) – thereof 285 (Dec. 31, 2019: 294) domestic companies and 303 (Dec. 31, 2019: 326) foreign companies – have been included in the consolidated financial statements. In addition, joint activities were performed with two domestic companies (Dec. 31, 2019: two). In addition, four (Dec. 31, 2019: four) domestic companies and one (Dec. 31, 2019: one) foreign company were included as joint ventures and two (Dec. 31, 2019: two) foreign companies were included as associates valued using the equity method.

Three (Dec. 31, 2019: three) foreign companies are no longer included in the scope of consolidation as they are no longer considered to be material. These companies are shown as non-consolidated affiliated companies.

For all subsidiaries included in the consolidated financial statements, the reporting date is December 31.

The list of Vonovia shareholdings is appended to the notes to the consolidated financial statements as an integral part thereof.

Companies that have made use of the exemption provision set out in Section 264 (3) of the German Commercial Code (HGB) are marked accordingly in the list of shareholdings.

The changes as of December 31, 2020, compared with the previous year result from 11 acquisitions, two newly established companies, 33 mergers, 11 accruals and one sale.

Acquisition of Hembla

On September 23, 2019, Vonovia SE announced that it had signed a contract for the purchase of 69.3% of the voting rights and 61.2% of the share capital in Hembla AB (publ), Stockholm, Sweden, ("Hembla") via its subsidiary HomeStar InvestCo AB ("HomeStar") with the funds advised by Blackstone Group Inc. The parties agreed to a purchase price of SEK 215.00 per share (irrespective of share class). The completion of the transaction required the approval of the Swedish merger control authorities, which was given on November 5, 2019.

The acquisition date on which Vonovia SE obtained control of the Hembla Group is November 7, 2019. This was the date on which the offer was settled. This transaction shall be treated as a business combination in accordance with IFRS 3.

On November 8, the offer document submitted on November 7, 2019, for the acquisition of all outstanding Class B Hembla shares not already held by HomeStar was approved and registered by the Swedish financial regulator. The offer price was SEK 215.00 per share. The acceptance deadline for the offer ended on December 9, 2019, at 5 p.m. (CET); the transaction was completed on December 16, 2019. Furthermore, after announcing the offer, HomeStar acquired additional Hembla shares apart from this offer in the period leading up to December 31, 2019.

Since the acquisition of the shares was effected under exactly the same conditions as the purchase on November 7, 2019, and the events are related in terms of content and timing, a linked transaction can be assumed.

Therefore, Vonovia became the holder of 6,136,989 Class A Hembla shares and 81,282,426 Class B Hembla shares as of December 31, 2019, representing approximately 95.3% of the voting rights and approximately 94.1% of the share capital. In addition, through its wholly owned subsidiary HomeStar, Vonovia has acquired a total of 2,253,600 option rights from Hembla employees, which were granted as part of Hembla's long-term incentive program in 2017.

On December 10, 2019, Vonovia announced that it would extend the offer period until January 8, 2020, at 5 p.m. (CET) in order to give remaining shareholders who had not accepted the offer the possibility of doing so.

The second acceptance deadline extended as part of the purchase of Hembla ended on January 8, 2020. During this acceptance period, the offer was accepted by additional shareholders of Hembla, who held a total of 1,204,821 Class B Hembla shares, representing approximately 1.0% of the total voting rights and approximately 1.3% of the share capital.

In addition, a further 242,333 Class B shares had been acquired on the market by June 30, 2020.

Since the acquisition of the shares was effected under exactly the same conditions as the purchase on November 7, 2019, and the events are related in terms of content and timing, a linked transaction can be assumed.

Therefore, through its wholly owned subsidiary HomeStar, Vonovia held 6,136,989 Class A shares and 82,729,580 Class B shares as of June 30, 2020, representing approximately 96.4% of the total voting rights and approximately 95.6% of Hembla's share capital.

As part of the squeeze-out that was applied for and initiated on December 18, 2019, the arbitration panel was established in the course of the first nine months of 2020 and the authorized representative of the minority shareholders ("trustee") was appointed. Once the squeeze-out process has been initiated, Swedish law dictates that it can no longer be aborted unilaterally by one of the parties. As a consequence, the shares are fully attributable to the Group as of December 31, 2020. The delisting of the Class B ordinary shares in Hembla was confirmed by Nasdaq Stockholm on December 19, 2019, and the last day of trading was set as January 10, 2020.

As part of the purchase price allocation, the consideration transferred for the business combination comprises the following:

in € billion	
Net cash purchase price component	1.8
Total consideration	**1.8**

In this context, the allocation of the total purchase price to the acquired assets and liabilities (PPA) of the Hembla Group as of the date of first-time consolidation is based on the financial statements of the Hembla Group as of October 31, 2019, and on the known necessary adjustments to the fair values of the assets and liabilities.

The valuation of the investment properties is based on the fair value determination dated September 30, 2019, which was carried out by Savills Sweden AB on behalf of Hembla. As no material changes in the market environment were identifiable between September 30, 2019, and the acquisition date, only the quantity structure was adjusted to the acquisition date.

The fair value of the loans was determined as the sum of the amounts of future cash flows discounted to the acquisition date using a discounted cash flow (DCF) methodology. The contractually agreed maturities and the interest and repayment schedules were used to determine the future cash flows of the loans. The yield curve used in the DCF calculation to discount the cash flows consists of a risk-free base curve and a premium for the risk of non-performance ("risk spread").

Embedded derivatives were identified within Hembla's loan agreements in the form of termination options that can be exercised subject to previously stipulated conditions (payment of an exit fee). In accordance with IFRS 9 B.4.3.5 (e), an analysis was performed at the time of acquisition of the underlying loan agreements to determine whether the embedded termination options should be measured and recognized separately from the corresponding loan agreement.

In some cases, separate measurement and recognition had to be performed in respect of the termination options, as there was a significant difference between the exercise price of the option concerned and the carrying amount of the underlying loan.

In such cases, the termination options were measured at fair value.

The existing interest rate derivatives at Hembla are also measured at fair value, pursuant to IFRS 9.

The assets and liabilities assumed in the course of the business combination had the following fair values as of the date of first-time consolidation:

in € billion	
Investment properties	3.2
Cash and cash equivalents	0.1
Other assets	0.1
Fair value of other assets	0.0
Total assets	**3.4**
Non-controlling interests	0.1
Non-derivative financial liabilities	1.8
Deferred tax liabilities	0.3
Fair value of other liabilities	0.0
Total liabilities	**2.2**
Fair value net assets	1.2
Consideration	1.8
Goodwill	**0.6**

Compared to the provisional allocation of the total consideration as of the closing date of December 31, 2019, additional embedded derivatives in the form of termination options were recognized in the amount of € 78.2 million as of June 30, 2020. Inversely, deferred tax liabilities of € 16.1 million were recognized. In addition, further acquisitions classified as "linked transactions" were taken into account. Consequently, minority interests increased by € 54.1 million, while the purchase price liability included in other liabilities decreased by € 91.8 million. Goodwill was reduced by € 99.8 million in comparison as a result. The corresponding prior-year figure was adjusted as of the date of first-time consolidation.

The goodwill represents synergies arising from the future cooperation between the Hembla Group and Vonovia, particularly those connected with the shared administration and management of Vonovia's Swedish portfolios, and from the partial transfer of Vonovia's business strategy, particularly regarding its property and portfolio management strategy, the utilization of modernization know-how, and the Value-add strategy with a focus on expanding the value chain. It was allocated to the Sweden cash-generating unit.

Acquisition of Bien-Ries GmbH

On March 5, 2020, Vonovia SE announced that it had signed a contract concerning the acquisition of all shares in Bien-Ries GmbH, Hanau, Germany ("Bien-Ries"), via its wholly owned subsidiary Deutsche Annington Acquisition Holding GmbH.

The acquisition date on which Vonovia SE obtained control of the Bien-Ries Group is April 2, 2020. This was the date on which the offer was settled. This transaction shall be treated as a business combination in accordance with IFRS 3.

As part of the purchase price allocation, the consideration transferred for the business combination comprises the following:

in € million	
Net cash purchase price component	100.3
Contingent consideration	11.4
Total consideration	**111.7**

The contingent consideration relates to the scope and completion date of a development project, which remain uncertain at the current time. The value recognized for the contingent consideration corresponds to its fair value on the acquisition date. The contingent consideration has a range between € 0.0 million and € 17.9 million.

The allocation of the total purchase price to the acquired assets and liabilities (PPA) of the Bien-Ries Group as of the date of first-time consolidation is based on the financial statements of the Bien-Ries Group as of March 31, 2020, and on the known necessary adjustments to the fair values of the assets and liabilities.

Pro rata land and development projects intended for sale but not yet certified are recognized as inventories. The valuation of these development projects is based on the fair value determination as of March 31, 2020, which was carried out by CBRE on behalf of Vonovia. Furthermore, the estimated completion costs and the current project progress were used for the measurement of the already certified development projects. The value of contract assets pursuant to IFRS 15 was determined on this basis.

The assets and liabilities assumed in the course of the business combination had the following fair values as of the date of first-time consolidation:

in € million	
Intangible assets	7.1
Trade receivables	21.9
Cash and cash equivalents	3.3
Real estate inventories	109.1
Fair value of other assets	4.4
Total assets	**145.8**
Provisions	11.5
Non-derivative financial liabilities	29.6
Deferred tax liabilities	18.4
Fair value of other liabilities	6.7
Total liabilities	**66.2**
Fair value net assets	**79.6**
Consideration	111.7
Goodwill	**32.1**

Compared with the provisional allocation of the total consideration as of June 30, 2020, the fair values of the real estate inventories were assessed differently. This was counteracted by the recognition of deferred tax liabilities. Goodwill was increased by € 16.5 million in comparison, mainly due to the reassessment.

The goodwill represents synergies from the future integration of the Bien-Ries Group, particularly due to the utilization of development process know-how and the optimization of cost structures. It was allocated to the Development cash-generating unit.

Since April 2020, the Bien-Ries Group has recognized income from the disposal of properties (Development) in the amount of € 78.0 million, as well as an earnings contribution in terms of earnings before fair value adjustments of investment properties, interest, taxes, depreciation and amortization (EBITDA IFRS) of € 6.9 million. If the Bien-Ries Group had already been fully included in the consolidated Group as of January 1, 2020, it would have contributed to income from the disposal of properties (Development) in the amount of € 82.1 million and to EBITDA IFRS in the amount of € -0.5 million.

The gross carrying amount of the acquired trade receivables was € 21.9 million. In particular, this figure includes contract assets pursuant to IFRS 15. Due to the contractual terms in the development business, no separate impairment losses are to be recognized on the corresponding receivables, meaning that the gross amount matches the fair value.

In the 2020 fiscal year, transaction costs related to the acquisition of the Bien-Ries Group in the amount of € 1.0 million were recognized in other operating expenses affecting net income.

Acquisition of H&L Immobilien GmbH

On December 2, 2020, Vonovia SE announced that it had signed a contract concerning the acquisition of a 94.9% stake in H&L Immobilien GmbH (renamed Fjord Immobilien GmbH with an entry in the commercial register being made on February 8, 2021), Kiel, Germany, ("H&L") via its wholly owned subsidiary Deutsche Annington Acquisition Holding GmbH.

The acquisition date, the time at which Vonovia SE obtained control of H&L, is December 30, 2020. This was the date on which the offer was settled. This transaction shall be treated as a business combination in accordance with IFRS 3.

As part of the provisional purchase price allocation, the consideration transferred for the business combination comprises the following:

in € million	
Net cash purchase price component	93.2
Total consideration	**93.2**

Due to the proximity of the acquisition to the reporting date, the allocation of the total purchase price as of December 31, 2020, could only be made on a provisional basis. The provisional allocation of the total purchase price to the acquired assets and liabilities (PPA) of H&L as of the date of first-time consolidation is based on the financial statements of H&L as of December 31, 2020, and on the known necessary adjustments to the fair values of the assets and liabilities.

The assets and liabilities assumed in the course of the business combination had the following preliminary fair values as of the date of first-time consolidation:

in € million	
Investment properties	123.0
Trade receivables	0.1
Cash and cash equivalents	2.2
Fair value of other assets	0.1
Total assets	**125.4**
Provisions	0.5
Non-derivative financial liabilities	36.6
Deferred tax liabilities	26.1
Fair value of other liabilities	3.4
Total liabilities	**66.6**
Fair value net assets	58.8
Consideration	93.2
Goodwill	**34.4**

The valuation of the investment properties is based on the fair value determination as of December 31, 2020, which was carried out by CBRE on behalf of Vonovia.

The fair value of the loans was determined as the sum of the amounts of future cash flows discounted to the acquisition date using a discounted cash flow (DCF) methodology. The contractually agreed maturities and the interest and repayment schedules were used to determine the future cash flows of the loans. The yield curve used in the DCF calculation to discount the cash flows consists of a risk-free base curve and a premium for the risk of non-performance ("risk spread").

The goodwill represents synergies from the future integration of H&L, in particular through the shared administration and management of the respective residential units.

If H&L had already been fully included in the consolidated Group as of January 1, 2020, it would have contributed to the income from property management in the amount of € 6.8 million and to EBITDA IFRS in the amount of € 3.0 million.

The gross carrying amount of the acquired trade receivables was € 0.4 million. In the 2020 fiscal year, transaction costs related to the acquisition of H&L in the amount of € 0.6 million were recognized in other operating expenses affecting net income.

5 Financial Reporting of Financial Assets and Financial Liabilities

Loans and Receivables

Loans and receivables are first recognized as incurred, other non-derivative financial assets as of the day of trading. The day of trading is the date on which Vonovia becomes a contracting party of the financial instrument. All financial instruments are initially measured at fair value, taking account of transaction costs. A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire, or the financial asset is transferred and Vonovia neither retains control nor retains material risks and rewards associated with ownership of the financial asset.

Loans and receivables are stated at amortized cost using the effective interest method.

Vonovia determines whether there is an objective indication of an impairment at the level of individual financial instruments if they are material, and, for financial instruments for which no impairments have been identified at the level of the individual financial instruments or such impairments are immaterial, grouped according to risk profile. Impairments are identified for individual financial instruments when the counterparty has defaulted or breached a contract or there are indications of risks of impairments due to a rating downgrade and general information (loss event). For groups of financial instruments with similar risks, historical default probabilities in relation to the time overdue are drawn upon (loss event). An impairment is calculated after the occurrence of a loss event as the difference between the carrying amount and the value of the discounted estimated future cash flow. The original effective interest rate is taken as the discount rate. Impairment losses are recognized with effect on net income and offset directly with the carrying amount of the financial instrument. Any interest income on impaired financial instruments is still recognized. If there are indications that the amount of the impairment loss will be smaller, this reduction is credited to the financial instrument affecting net income to the extent that the sum does not exceed the amortized cost that would have been recognized if the impairment had not occurred.

Derivative Financial Instruments

Derivative financial instruments are stated at their fair value on the day of trading when they are recognized for the first time. The fair values of the derivative financial instruments are calculated using standard market valuation methods for such instruments on the basis of the market data available on the valuation date.

With derivatives that are not designated as a hedging instrument in the balance sheet, changes in the fair value are recognized in profit or loss with effect on net income.

Compared with IAS 39, the IFRS 9 regulations relating to hedge accounting include, among other things, an expanded range of eligible hedged items, changes regarding the posting approach for certain undesignated value components of hedging instruments, the abolition of the fixed effectiveness ranges and retrospective effectiveness testing as well as the first-time introduction of “recalibration.” The less restrictive provisions compared with IAS 39 make it easier to reflect economic risk management in the balance sheet, which can, in turn, reduce artificial volatility in the income statement.

At the time of initial application of IFRS 9, Vonovia will opt to continue to apply the hedge accounting provisions set out in IAS 39 as opposed to the provisions of IFRS 9. Vonovia will apply this accounting method to all hedge relationships.

Contracts concluded for the purpose of receiving or supplying non-financial items in accordance with the company’s expected purchase, sale, or use requirements (own-use contracts) are not recognized as derivative financial instruments, but rather as pending transactions under IAS 37.

With derivatives designated as hedging instruments, the recognition of changes in the fair value depends on the type of hedge:

> With a fair value hedge, the changes in the fair value of the derivative financial instruments and of the underlying hedged items attributable to the hedged risk are recognized affecting net income.
> With a cash flow hedge, the unrealized gains and losses are initially recognized in other comprehensive income to the extent that the hedge is effective. Amounts accumulated in other comprehensive income are reclassified to the income statement at the same time the underlying hedged item affects net income. To the extent that the hedge is ineffective, the change in fair value is immediately recognized in net interest.

Embedded derivative financial instruments that are combined with a non-derivative financial instrument (host contract) to form a hybrid financial instrument are to be separated from the underlying contract pursuant to IFRS 9 as a general rule and accounted for separately if (i) its economic risks and characteristics are not closely related to those of the host contract, (ii) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and (iii) the hybrid instrument is not measured at fair value affecting net income with changes in fair value recognized in the income statement. As soon as the derivative is to be separated from its host contract, the individual components of the hybrid financial instrument are to be accounted for based on the provisions that apply to the individual financial instruments.

In order to measure interest rate swaps, future cash flows are calculated and then discounted. The calculated cash flows result from the contract conditions. The contract conditions regularly refer to the EURIBOR/STIBOR reference rates (3M and 6M EURIBOR/STIBOR). Discounting is based on market interest rate data as of the reporting date for comparable instruments (EURIBOR/STIBOR rate of the same tenor). The fair value contains the credit risk of the interest rate swaps and therefore allows for adjustments for the company's own credit risk or for the counterparty credit risk.

To measure the cross currency swaps, future cash flows are calculated and then discounted. The calculated cash flows result from the contract conditions and the USD forward rates (development of exchange rates expected by the market). Discounting is based on market interest rate data as of the reporting date for comparable instruments (EURIBOR rate of the same tenor). The fair value contains the credit risk of the cross currency swaps and therefore allows for adjustments for the company's own credit risk or for the counterparty credit risk.

Equity Instruments to Be Recognized at Fair Value in Other Comprehensive Income

In general, the equity instruments to be recognized at fair value in other comprehensive income are shares in companies that were acquired with long-term strategic intentions.

These equity instruments to be recognized at fair value in other comprehensive income are initially stated at their fair value, plus the directly attributable transaction costs. Subsequent measurement is at fair value as a general rule. Changes in the fair value are recognized in other comprehensive income.

The fair value of equity instruments to be recognized at fair value in other comprehensive income is based on quoted market prices as of the reporting date. If these equity instruments are derecognized, the cumulative gain or loss recognized in other comprehensive income is transferred to retained earnings, not affecting net income. Interest on interest-bearing financial instruments of this category is calculated using the effective interest method. Dividends on equity instruments in this category are shown in the income statement.

6 Currency Translation

Accounting Policies

Foreign currency transactions involving Group companies are converted into the functional currency, in accordance with the temporal method, at the exchange rate that applies on the day of the transaction. Monetary balance sheet items denominated in a foreign currency are converted at the exchange rate that applies on each reporting date. Any exchange differences are recognized affecting net income. Non-monetary items that are measured in terms of historical cost are recorded on the reporting date at the exchange rate on the date they were first recognized. Non-monetary items that are measured at fair value are translated on the reporting date using the exchange rate on the date the fair value was determined. Exchange differences relating to non-monetary items are recognized affecting net income insofar as a profit or loss on the corresponding line item is also recognized affecting net income. Otherwise, they are disclosed in other comprehensive income.

The main foreign subsidiaries included in the consolidated financial statements operate their business independently in line with functional theory. The annual financial statements of those subsidiaries whose functional currency is not the euro are converted into the reporting currency using the modified closing rate method. The functional currency of individual foreign units is always the respective local currency. Any resulting exchange differences are disclosed as a separate item in other comprehensive income. When a foreign subsidiary leaves the scope of consolidation, the cumulative exchange differences are reversed and recognized in profit or loss.

Vonovia applies the concept of functional currency translation in accordance with IAS 21 Effects of Changes in Foreign Exchange Rates to its consolidated financial statements. The functional currency of Vonovia SE and the reporting currency of the Vonovia Group is the euro.

The exchange rates of the currencies relevant to the Vonovia Group have developed as follows:

	Closing rate		Average for period	
Basis: € 1	Dec. 31, 2019	Dec. 31, 2020	2019	2020
HUF – Hungarian forint	324.34*	–	320.01*	–
SEK – Swedish krona	10.45	10.03	10.59	10.48
USD – US dollar	1.12	1.23	1.12	1.14

* The exchange rate and the average for the period for the Hungarian forint for 2019 has been fixed for May 31, 2019, as the companies ceased to be included in the scope of consolidation on May 31, 2019.

7 Government Grants

Accounting Policies

Government grants are recognized when there is reasonable assurance that the relevant conditions will be fulfilled and that the grants will be awarded.

Government grants that do not relate to investments are regularly recognized as income in the periods in which the relevant expenses are incurred.

Expenses subsidies granted in the form of rent, interest and other expenses subsidies are recorded as income in the periods in which the expenses are incurred and shown within other income from property management.

The low-interest loans are grants from public authorities that – insofar as the company received them as part of a business combination – are recorded at present value. The difference between face value and present value is recognized with an effect on net income over the maturity term of the corresponding loans.

New expenses loans or low-interest loans are initially recognized at their present value within the non-derivative financial liabilities on the basis of the market interest rate at the time the loans are taken out. The difference between the face value and the present value of the loan is recognized as deferred income. Reversal occurs, in principle, with an effect on net income in line with the length of the fixed-interest-rate period of the relevant loans. In cases where the low-interest loans are issued as part of capitalized modernization measures, the difference between the face value and the present value of the loan is deducted from the capitalized acquisition cost. In subsequent measurements, the loans are measured at amortized cost.

The companies that belong to the Group receive government grants in the form of construction subsidies, expenses subsidies, expenses loans and low-interest loans. In the 2020 fiscal year, Vonovia was granted low-interest loans of € 182.4 million (2019: € 444.3 million).

8 Changes in Accounting Policies, Estimates, Assumptions, Options and Judgments

Changes in Accounting Policies Due to New Standards and Interpretations

The following new or amended standards and interpretations became mandatory for the first time in the 2020 fiscal year. They did not have any material effects on Vonovia's consolidated financial statements.

> Amendment to References to the Conceptual Framework in IFRS Standards
> IAS 1 "Presentation of Financial Statements"
> IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"
> IAS 39 "Financial Instruments: Recognition and Measurement"
> IFRS 3 "Business Combinations"
> IFRS 7 "Financial Instruments: Disclosures"
> IFRS 9 "Financial Instruments"
> IFRS 16 "Leases"

IFRS 16

Due to the rent concessions (deferrals, waivers) granted in a large number of countries as a result of the coronavirus pandemic, IFRS 16 was amended to provide companies with an exemption from assessing whether a coronavirus-related rent concession is a lease modification within the meaning of IFRS 16. Instead, they can opt to account for coronavirus-related rent concessions as if they were not lease modifications. This would spare them the work involved in evaluating the lease contracts to check for possible contractually defined rent concessions as well as the work involved in reassessing these contracts applying a new discount rate (which is always required for lease modifications). The relief is limited until June 30, 2021.

No rent concessions were granted by the lessor within the Vonovia Group. This is due primarily to the Group's encouraging and robust financial position, even in times dominated by the coronavirus pandemic. As a result, the Group is not exercising this option as it is not relevant. The amendments to IFRS 16 do not have any material effects on the consolidated financial statements.

New Standards and Interpretations Not Yet Applied

Application of the following standards, interpretations and amendments to existing standards was not yet mandatory for the 2020 fiscal year. Vonovia also did not choose to apply them in advance. Their application will be mandatory for the fiscal years following the dates stated in the following table:

Relevant New Standards, Interpretations and Amendments to Existing Standards and Interpretations		Effective date for Vonovia
Annual Improvements 2018–2020		Jan. 1, 2022*
Amendments to Standards		
IAS 1	"Presentation of Financial Statements"	Jan. 1, 2023*
IAS 16, IAS 37 and IFRS 3	"Property, Plant and Equipment", "Provisions, Contingent Liabilities and Contingent Assets" and "Business Combinations"	Jan. 1, 2022*
IFRS 4	"Insurance Contracts"	Jan. 1, 2021
IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16	"Financial Instruments: Recognition and Measurement", "Insurance Contracts", "Financial Instruments: Disclosures", "Financial Instruments" and "Leases"	Jan. 1, 2021*
New Standards		
IFRS 17	"Insurance Contracts"	Jan. 1, 2023*

* Not yet endorsed.

Estimates and Assumptions

To a certain extent, the preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the reporting date as well as reported amounts of income and expenses during the reporting year. The actual amounts may differ from the estimates as the business environment may develop differently than assumed. In this case, the assumptions and, where necessary, the carrying amounts of the assets or liabilities affected are prospectively adjusted accordingly. Specific estimates and assumptions relating to individual elements of financial statements are also explained in the corresponding notes to the consolidated financial statements.

Assumptions and estimates are reviewed on an ongoing basis and are based on experience and other factors, including expectations regarding future events that appear reasonable under the given circumstances.

The estimates and assumptions that may have a material risk of causing an adjustment to the carrying amounts of assets and liabilities mainly relate to the determination of the fair value of investment properties.

The best evidence of fair value of investment properties is current prices in an active market for comparable residential properties. As such information is not completely available, however, Vonovia uses standard valuation techniques.

A detailed description of the discounted cash flow (DCF) method used can be found in chapter [D28] Investment Properties.

In accordance with IAS 40 in conjunction with IFRS 13 the respective market values of the investment properties owned by Vonovia are determined for accounting purposes. Changes in certain market conditions such as prevailing rent levels and vacancy rates may affect the valuation of investment properties. Any changes in the fair value of the investment portfolio are recognized as part of the profit for the period in the Group's income statement and can thus substantially affect Vonovia's results of operations.

The statement of financial liabilities at amortized cost using the effective interest method takes the expected contractual cash flows into account. In some cases, the agreements do not have any fixed maturity terms. As a result, the cash flows included in the valuation are subject to management assumptions in terms of amount and term.

As explained in chapter [D26] Intangible Assets, Vonovia checks for goodwill impairments on an annual basis, or if there is any reason to suspect such impairments. The next step involves estimating the recoverable amount of the group of cash-generating units (CGU). This corresponds to either the fair value less costs of sale or the value in use, whichever is higher. Determining the value in use includes adjustments and estimates regarding the forecast and discounting of the future cash flows. Although the management believes that the assumptions used to determine the recoverable amount are appropriate, any unforeseeable changes in these assumptions could result in impairment losses, with a detrimental impact on the net assets, financial position and results of operations.

When determining the volume of current and deferred taxes, the Group takes into account the effects of uncertain tax items and whether additional taxes and interest may be due. This assessment is made on the basis of estimates and assumptions and may contain a number of discretionary decisions about future events. New information may become available that causes the Group to change its discretionary decisions regarding the appropriateness of existing tax liabilities; such changes to tax liabilities will affect the tax expense in the period in which such a change is made.

Deferred tax assets are recognized to the extent that it can be demonstrated that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that there will be sufficient future taxable profits to realize the tax benefit in the future.

As part of the application of IFRS 15, the determination of the time at which a performance obligation is satisfied and the determination of the progress made in cases involving revenue recognition over time may involve discretionary judgment.

Additional estimates and assumptions mainly relate to the uniform definition of useful lives, the assumptions made on the value of land and buildings, the recognition and measurement of provisions as well as the realization of future tax benefits.

Options and Judgments

Options exercised and judgments made by Vonovia's management in the process of applying the entity's accounting policies that may have a significant effect on the amounts recognized in the consolidated financial statements include the following:

> Determining whether the acquisition of investment properties as part of a business combination constitutes the acquisition of a "business" or the acquisition of an individual asset or group of assets can involve discretionary judgments.
> Vonovia measures investment properties at fair value. If management had opted to use the cost model as permitted under IAS 40, the carrying amounts of the investment properties as well as the corresponding income and expense items in the income statement would differ significantly.
> The criteria for assessing in which category a financial asset is to be classified may involve discretionary judgments.
> Within the scope of revenue recognition in accordance with IFRS 15, discretionary decisions relating to the expected revenue, the total costs of a project and the degree of completion may be necessary. These have an impact on the amount and timing of revenue.
> When accounting for leases in accordance with IFRS 16, the assessment of the exercise or non-exercise of unilaterally granted termination or renewal options may involve discretionary judgment, particularly if there is no economic incentive for the exercise or non-exercise of options.

- The need to include information concerning the future in the valuation of expected defaults results in discretionary decisions regarding the impact that changes in economic factors will have on the expected defaults.
- The decision on how to define a group of cash-generating units to which goodwill is allocated may involve discretionary judgments.
- Allocating the goodwill to the group of individual cash-generating units may also involve discretionary judgments. The parameters used in the impairment test, such as the determination of undiscounted cash flows, the weighted average cost of capital and the growth rate, may also involve discretionary judgments. Due to a lack of any detailed definition of the term "operation" (IAS 36.86), the disposal of goodwill within the context of real estate sales may involve discretionary decisions.
- Due to a lack of any detailed definition of the term "a separate major line of business or geographical area of operations" (IFRS 5), a disposal group within the context of real estate sales may involve discretionary decisions.
- At the moment, there are no definitive provisions on how to reflect a mandatory acquisition of non-controlling interests following the acquisition of control as part of a voluntary public takeover offer. In general, the acquisition of shares as part of a public offer during the second offer period is based on exactly the same conditions as those that applied in the first offer period, and the two acquisitions are closely related in terms of content and timing. This means that, even if it is executed in two offer periods, the acquisition constitutes one and the same transaction (linked transaction). Following the completion of the later acquisition, the original purchase price allocation is to be adjusted with retroactive effect from the acquisition date, resulting in a change in the consideration transferred, the fair value of net assets transferred and, consequently, the resulting goodwill.

9 Subsequent Events

An agreement on secured financing with a 10-year term and a loan volume of € 200.0 million was signed in December of the fiscal year. The disbursement of this financing is scheduled for February 26, 2021.

On January 12, 2021, Vonovia SE issued a tokenized registered bond of € 20.0 million with a term of three years via the online marketplace firstwire. The investor is M.M. Warburg.

On January 20, 2021, Vonovia SE placed a bond of € 500.0 million and a coupon of 1.0% and a 20-year term, via its Dutch subsidiary Vonovia Finance B.V.

On January 11, 2021, the Management Board of Vonovia SE decided to merge Vonovia Finance B.V., Amsterdam, Netherlands, with Vonovia SE on a cross-border basis. The notarized deeds regarding the transaction were not yet drawn up at the time of reporting.

Section (B): Profit for the Period

The figures from the previous year are only comparable to a limited extent due to acquisitions made in the previous year.

Accounting Policies

Income from property management includes income from the rental of investment properties and assets held for sale which is recognized, net of discounts, over the duration of the contracts when the remuneration is contractually fixed or can be reliably determined and collection of the related receivable is probable.

In Vonovia's financial statements, the corresponding income for all the services for **ancillary costs** performed by the end of the year is also recognized in the year in which the service is performed. This amount is recognized on a non-netted basis using the principal method, in particular due to Vonovia's business model, which provides for a large proportion of services relevant to ancillary costs being performed by Vonovia itself as Vonovia is considered by the tenant to be the primary party responsible for providing the service. For all services that it does not perform itself, Vonovia also bears an inventory risk due to the settlement method (based on rentable area), as is standard practice in the real estate sector.

Income from **real estate sales** is recognized as soon as the material risks and rewards of ownership have been transferred to the buyer and Vonovia has no substantial further obligations. As far as any remaining obligations are concerned, a provision is recognized for the probable risk.

Expenses are recognized when they arise or at the time they are incurred. Interest is recognized as income or expense in the period in which it is incurred using the effective interest method.

10 Income from Property Management

in € million	2019	2020
Rental income	2,077.9	2,288.5
Ancillary costs	762.9	780.9
Income from property letting	2,840.8	3,069.4
Other income from property management	69.9	77.7
	2,910.7	**3,147.1**

11 Profit on the Disposal of Properties

in € million	2019	2020
Income from the disposal of investment properties	227.1	321.3
Carrying amount of investment properties sold	-158.0	-217.4
Profit on the disposal of investment properties	69.1	103.9
Income from sale of assets held for sale	283.6	265.0
Retirement carrying amount of assets held for sale	-283.6	-265.0
Revaluation of assets held for sale	59.7	78.2
Profit on the disposal of assets held for sale	59.7	78.2
	128.8	**182.1**

The fair value adjustment of residential properties held for sale, for which a purchase contract had been signed but for which transfer of title had not yet taken place, led to a gain of € 78.2 million as of December 31, 2020 (2019: € 59.7 million).

12 Profit on the Disposal of Properties (Development)

Accounting Policies

Income from the disposal of properties (Development) is realized either over time or at a specific point in time as soon as the customer obtains control over the asset in question. If, upon conclusion of the certified purchase agreement, control within the meaning of IFRS 15.35(c) passes to the customer before or during the construction phase, the revenue is to be recognized as of this point in time based on the degree of completion of the construction project. Disclosure of the contract assets that fall within the scope of IFRS 15 occurs on a net basis with the corresponding advance payments received under trade receivables.

Contractual balances with an expected term of less than one year are not adjusted to reflect the time value of money.

No separate agreements are reached, in the contracts on the sale of apartments as part of the development business, on extraordinary rights of return or rescission, meaning that such rights are based on the relevant legal provisions. The same applies to warranty commitments, which are not to be treated as a separate contractual component within the meaning of IFRS 15 as a result. Existing warranty claims are always accounted for in line with the provisions of IAS 37.

In accordance with IFRS 15.94, costs for the initiation of the contracts with customers are recognized as an expense as soon as they are incurred, as the depreciation period generally would not amount to more than a year. The costs relate primarily to brokerage commission.

In cases involving **revenue recognition over time**, the percentage of completion/progress made has to be assessed. Vonovia uses the cost-to-cost method, as an input-based procedure, for this purpose. The progress made is determined based on the ratio of the capitalized contract costs incurred up until the reporting date to the estimated total contract costs that can be capitalized.

Income from the disposal of properties (Development) in the amount of € 297.7 million (2019: € 249.5 million) comprises € 194.4 million (2019: € 183.3 million) in period-related income from the disposal of properties together with € 103.3 million (2019: € 66.2 million) in time-related income from the disposal of properties. As of the reporting date, contract assets of € 121.5 million (2019: € 59.4 million) are recognized within trade receivables in connection with the period-related revenue recognition. As of the reporting date, this amount includes advance payments received of € 87.1 million (2019: € 114.2 million).

A transaction price of € 124.2 million (2019: € 59.0 million) has been allocated to the remaining performance obligations that had not yet been satisfied (in full) at the end of the current reporting period . These amounts are expected to be recognized, affecting net income, within the next three fiscal years, with an amount of € 87.4 million attributable to 2021, an amount of € 36.6 million to 2022 and an amount of € 0.2 million to 2023.

13 Net Income from Fair Value Adjustments of Investment Properties

Investment properties in the German and Austrian portfolios are measured by the in-house valuation department according to the fair value model. Any gains or losses from a change in fair value are recognized in the income statement. External appraisers are responsible for the valuation of the portfolios in Sweden. The measurement of the investment properties led to a valuation gain during the 2020 fiscal year of € 3,719.8 million (2019: € 4,131.5 million; see explanatory information in chapter [D28] "Investment Properties"). This includes € -1.8 million (2019: € 2.7 million) for the measurement of right-of-use assets (IFRS 16).

The figure also includes the valuation result from buildings under construction (new construction/development to hold) that were completed during the reporting period and were moved to the Rental portfolio. A fair value measurement is performed for the first time when the properties are completed. This resulted in a valuation effect of € 62.0 million in the 2020 fiscal year (2019: € 58.9 million).

The valuation result for 2020 is mainly due, in addition to the investment activity and strong development of Vonovia's operating business, to the dynamic market conditions for residential properties at the moment. These are reflected both in rental price developments and, in particular, also in an increase in real estate purchase prices triggered, among other things, by yield compression on the demand side. We are currently observing stable demand for rental apartments and no negative impact on fair values as a result of the coronavirus pandemic as of December 31, 2020.

14 Capitalized Internal Expenses

Capitalized internal expenses in the fiscal year amount to € 659.4 million (2019: € 687.2 million) and mainly relate to the expenses of the Group's own craftsmen's organization contained in the capitalized modernization costs as well as the management costs for major modernization projects.

15 Cost of Materials

in € million	2019	2020
Expenses for ancillary costs	729.2	780.5
Expenses for maintenance and modernization	628.9	586.4
Other cost of purchased goods and services	104.9	126.5
	1,463.0	**1,493.4**

16 Personnel Expenses

in € million	2019	2020
Wages and salaries	436.7	488.0
Social security, pensions and other employee benefits	99.0	106.9
	535.7	**594.9**

The personnel expenses include expenses for severance payments in the amount of € 3.6 million (2019: € 3.1 million), allocations to the provisions for pre-retirement part-time work arrangements in the amount of € 0.4 million (2019: € 2.3 million) and expenses for the long-term incentive plan (LTIP) at € 17.5 million (2019: € 15.3 million) (see chapter [E38] Provisions).

In the fiscal year under review, employers' contributions to statutory pension insurance amounted to € 41.4 million (2019: € 37.9 million).

As of December 31, 2020, Vonovia had 10,622 employees (Dec. 31, 2019: 10,345) with the annual average coming to 10,572 employees (2019: 10,114). Vonovia also employed 510 apprentices as of December 31, 2020 (Dec. 31, 2019: 473).

17 Other Operating Income

in € million	2019	2020
Compensation paid by insurance companies	46.3	54.1
Reversal of provisions	16.9	33.4
Compensation for damages and cost reimbursements	12.1	15.6
Dunning and debt collection fees	6.2	5.9
Reversal of impairment losses	1.8	4.3
Miscellaneous	22.4	49.7
	105.7	**163.0**

The increase in miscellaneous other operating income is due to the reassessment of a compensation entitlement for non-controlling interests, which produced income of € 18.1 million in the 2020 fiscal year (2019: € 0.0 million).

18 Other Operating Expenses

in € million	2019	2020
Consultants' and auditors' fees	64.2	47.6
Vehicle and traveling costs	35.2	30.5
Communication costs and work equipment	21.0	24.4
Additions to provisions	9.6	21.5
Rents, leases and ground rents	16.5	17.7
Administrative services	12.8	16.9
Advertising costs	13.6	16.6
Insured losses	7.0	12.1
Non-capitalizable expenses from real estate development	5.7	5.2
Impairment losses	4.7	4.3
Costs of sale associated with real estate inventories	5.7	4.1
Dunning and debt collection fees	3.9	3.3
Legal and notary costs	2.8	2.6
Sales incidentals	5.6	1.4
Miscellaneous	87.0	70.6
	295.3	**278.8**

19 Interest Income

in € million	2019	2020
Income from non-current securities and non-current loans	1.9	1.9
Other interest and similar income	7.0	20.0
	8.9	**21.9**

Other interest and similar income includes income from a bond issue above par in the amount of € 11.9 million (2019: € 0.0 million).

20 Interest Expenses

The interest expenses mainly relate to interest expense on financial liabilities measured at amortized cost.

in € million	2019	2020
Interest expense from non-derivative financial liabilities	349.7	374.0
Swaps (current interest expense for the period)	17.2	16.8
Effects from the valuation of non-derivative financial instruments	-18.9	-48.6
Effects from the valuation of swaps	17.9	42.4
Prepayment penalties and commitment interest	28.1	6.2
Interest accretion to provisions	10.0	6.2
Interest from leases	14.0	16.1
Other financial expenses	-0.5	-1.7
	417.5	**411.4**

The prepayment penalties include the fees for the unscheduled repayment of loans during the fixed interest period.

A reconciliation of net interest to net interest to be classified in accordance with IFRS 9 is shown in the following table:

in € million	2019	2020
Interest income	8.9	21.9
Interest expense	-417.5	-411.4
Net interest	**-408.6**	**-389.5**
Less:		
Net interest from provisions for pensions in acc. with IAS 19	8.6	5.6
Net interest from other provisions in acc. with IAS 37	1.4	0.6
Net interest from leases	14.0	16.1
Net interest to be classified	**-384.6**	**-367.2**

The net interest classified pursuant to IFRS 9 is as follows:

in € million	2019	2020
Financial assets measured at (amortized) cost	8.9	21.8
Derivatives measured at FV through P&L	-35.1	-59.2
Financial liabilities measured at (amortized) cost	-358.4	-329.8
Classification of net interest	**-384.6**	**-367.2**

21 Other Financial Result

in € million	2019	2020
Result from currency translation	37.2	4.8
Income from other investments	11.8	13.4
Transaction costs	-22.9	-18.9
Purchase price liabilities from put options/rights to reimbursement	-2.1	-31.4
Miscellaneous other financial result	–	-0.5
	24.0	**-32.6**

The currency effects relate primarily to the financial relationships with Swedish subsidiaries.

The income from investments includes financial income resulting from the collection of profits from the investment in AVW GmbH & Co. KG, Hamburg, in the amount of € 9.3 million (2019: € 8.2 million) for the previous fiscal year in each case.

It also comprises financial income from investments in other residential real estate companies in the amount of € 2.4 million (2019: € 1.7 million).

The change in the financial result in connection with purchase price liabilities from put options/rights to reimbursement from € -2.1 million in 2019 to € -31.4 million in 2020 is due, in particular, to their measurement at the end of the year. As part of the review and restructuring of relationships with minority shareholders, total purchase price liabilities from put options/rights to reimbursement had risen considerably by the reporting date.

22 Income Taxes

Accounting Policies

Income taxes for the current and prior fiscal years are recognized as current income tax liabilities to the extent that they have not yet been paid.

Deferred tax assets and liabilities are recognized using the liability method under the temporary concept, providing for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets are only recognized for temporary differences and on loss carryforwards to the extent that there are deferred tax liabilities that can be offset against them – regarding deferred tax assets on loss carryforwards taking the minimum taxation into account – or, based on the predictable profits in the foreseeable future, it can be verified that they will be realized.

Deferred tax assets and liabilities are not recognized where the temporary difference arises from initial recognition of goodwill in connection with a business combination or the initial recognition (other than a business combination) of other assets and liabilities in a transaction that neither affects taxable income nor net income.

The carrying amount of a deferred tax asset is reviewed at each reporting date. If necessary, the carrying amount of the deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profit will be available in the future.

Deferred taxes are measured at the tax rates that apply, or are expected to apply, to the period when the tax asset is realized or the liability is settled based on the current legislation in the countries in question. As in 2019, the combined tax rate of corporate income tax and trade tax of 33.1% was used to calculate domestic deferred taxes for 2020. The corporate income tax rate for the companies based in Austria remains unchanged at 25.0%, while the rate for companies based in Sweden is 20.6%.

Deferred tax assets and liabilities are netted against each other only if Vonovia has a legally enforceable right to set off the recognized amounts, when the same tax authority is involved and when the realization period is the same. In accordance with the regulations of IAS 12 "Income Taxes," deferred tax assets and liabilities are not discounted.

in € million	2019	2020
Current income tax	55.2	57.7
Prior-year current income tax	1.6	-14.6
Deferred tax – temporary differences	1,861.0	1,607.5
Deferred tax – unutilized loss carryforwards	-73.2	23.8
	1,844.6	**1,674.4**

The current tax expense is determined on the basis of the taxable income for the fiscal year. For the 2020 fiscal year, the combined tax rate of corporate income tax and solidarity surcharge for domestic companies is 15.8% (2019: 15.8%). Including trade tax at a rate of about 17.3% (2019: 17.3%), the combined domestic tax rate is 33.1% in 2020 (2019: 33.1%). The corporate income tax rate for the companies based in Austria is 25.0% (2019: 25.0%), the rate for companies based in Sweden is 21.4% (2019: 21.4%). The income generated by Vonovia Finance B.V. is subject to Dutch tax law; current taxes of € 2.8 million were incurred there (2019: € 3.1 million). The other companies that hold properties and are based in the Netherlands have limited corporation tax liability in Germany. These companies, together with the other foreign companies, pay tax that is of a negligible amount from the Group's perspective in the countries in which they are domiciled.

Anticipated effects of the so-called extended trade tax exemption on trade tax are taken into account when the deferred taxes are determined. Due to the discontinuation of the extended trade tax exemption at a series of BUWOG companies in 2019, deferred tax liabilities were also subject to trade tax there, unlike in 2018. This effect caused a deferred tax expense of € 191.0 million in the previous year. In 2020, the deferred taxes of all relevant companies were also subject to trade tax, meaning that this effect did not materialize.

For deductible temporary differences (excl. loss carryforwards) in the amount of € 20.6 million (Dec. 31, 2019: € 16.9 million), no deferred corporate income taxes or deferred trade taxes were recognized because they are not likely to be used in the future.

As of December 31, 2020, there were domestic corporate income tax loss carryforwards amounting to € 3,961.3 million (Dec. 31, 2019: € 4,040.4 million) as well as trade tax loss carryforwards amounting to € 2,171.5 million (Dec. 31, 2019: € 2,242.8 million), for which deferred tax assets have been recognized to the extent that their realization is sufficiently probable. As of December 31, 2020, there were corporate income tax loss carryforwards abroad amounting to € 676.2 million (Dec. 31, 2019: € 690.9 million) as well as trade tax loss carryforwards amounting to € 16.4 million (2019: € 15.4 million), for which deferred tax assets have also been recognized to the extent that their realization is sufficiently probable. The drop in tax loss carryforwards resulted from current tax gains at individual companies and the associated utilization of the loss carryforwards.

No deferred taxes were recognized in the balance sheet for domestic and foreign corporate income tax loss carryforwards amounting to € 870.2 million (Dec. 31, 2019: € 880.3 million). Of this amount, € 25.5 million (2019: € 20.0 million) arose for the first time in the 2020 fiscal year. Under current tax law, these loss carryforwards are not subject to restrictions either with regard to time or the amount of the loss carryforward. The fact that no deferred tax assets were recognized on the new corporate income tax loss carryforwards results in a tax effect of € 4.3 million (2019: € 3.6 million). In addition, there are further trade tax loss carryforwards subject to no restrictions with regard to how they can be carried forward in the amount of € 562.1 million in total (Dec. 31, 2019: € 559.9 million). These did not give rise to any deferred tax assets. Of this amount, € 11.5 million arose for the first time in the 2020 fiscal year (2019: € 12.2 million) and the resulting tax effect is € 1.8 million (2019: € 2.0 million).

The remeasurement of deferred tax assets on temporary differences and loss carryforwards from the previous year led to tax expense amounting to € 6.3 million in the 2020 fiscal year (2019: tax income of € 22.6 million).

Deferred taxes on interest carryforwards are recognized if the interest carryforward is likely to be able to be used in the future. Due to the Group's capital structure, no interest carryforwards are likely to be able to be used in the future. As a result, no deferred tax assets have been recognized on interest carryforwards in the amount of € 1,059.4 million (Dec. 31, 2019: € 919.9 million). Of this amount, € 171.6 million (2019: € 150.7 million) arose for the first time in the 2020 fiscal year. The fact that no deferred tax assets were recognized on the new interest carryforward generated a tax effect of € 55.5 million in Germany (2019: € 50.0 million). Sweden has had a regulation similar to the German interest threshold since 2019. As a result, no deferred tax assets have been recognized on interest carryforwards in the amount of € 102.0 million in Sweden either (2019: € 47.6 million). Of this amount, € 57.8 million (2019: € 20.6 million) arose for the first time in the 2020 fiscal year. The fact that no deferred taxes were recognized generated a tax effect of € 11.9 million in Sweden (2019: € 4.2 million).

A reconciliation between actual income taxes and expected tax expense, which is the product of the accounting profit for the period multiplied by the average tax rate applicable in Germany, is shown in the table below.

in € million	2019	2020
Earnings before tax	3,138.9	5,014.4
Income tax rate in %	33.1	33.1
Expected tax expense	1,039.0	1,659.8
Trade tax effects	161.6	-57.4
Non-deductible operating expenses	55.8	58.8
Tax-free income	-49.4	-35.4
Change in the deferred tax assets on loss carryforwards and temporary differences	-22.6	6.3
New loss and interest carryforwards not recognized	59.8	73.5
Prior-year income tax and taxes on guaranteed dividends	-22.8	19.8
Tax effect from goodwill impairment	697.3	–
Differing foreign tax rates	-68.1	-40.7
Other tax effects (net)	-6.0	-10.3
Effective income taxes	1,844.6	1,674.4
Effective income tax rate in %	58.8	33.4

The deferred taxes refer to temporary differences in balance sheet items and unutilized loss carryforwards as follows:

in € million	Dec. 31, 2019	Dec. 31, 2020
Intangible assets	6.5	–
Investment properties	1.8	12.1
Property, plant and equipment	35.7	37.3
Financial assets	1.3	3.2
Other assets	101.2	158.5
Provisions for pensions	99.6	104.4
Other provisions	23.5	22.5
Liabilities	134.0	120.1
Loss carryforwards	929.7	905.9
Deferred tax assets	1,333.3	1,364.0

in € million	Dec. 31, 2019	Dec. 31, 2020
Intangible assets	19.4	20.2
Investment properties	10,290.7	11,959.8
Assets held for sale	21.4	38.7
Property, plant and equipment	8.5	9.2
Financial assets	0.8	26.4
Other assets	118.9	153.5
Other provisions	78.4	78.5
Liabilities	24.1	20.9
Deferred tax liabilities	10,562.2	12,307.2
Excess deferred tax liabilities	9,228.9	10,943.2

Deferred tax assets and liabilities are netted against each other when the same company and the same tax authority are involved and the realization period is the same. As a result, the following deferred tax assets and liabilities are stated:

in € million	Dec. 31, 2019	Dec. 31, 2020
Deferred tax assets	59.3	16.4
Deferred tax liabilities	9,288.2	10,959.6
Excess deferred tax liabilities	9,228.9	10,943.2

The increase in deferred tax liabilities can be attributed primarily to investment properties.

The change in deferred taxes is as follows:

in € million	2019	2020
Excess deferred tax liabilities as of Jan. 1	**7,177.8**	**9,228.9**
Deferred tax expense in income statement	1,787.7	1,631.3
Deferred tax due to first-time consolidation and deconsolidation	294.4	43.4
Change in deferred taxes recognized in other comprehensive income due to equity instruments measured at fair value	-4.3	0.2
Change in deferred taxes recognized in other comprehensive income on actuarial gains and losses from pensions and similar obligations	-17.5	-5.8
Change in deferred taxes recognized in other comprehensive income on derivative financial instruments	0.7	4.7
Deferred taxes recognized in equity on accrued capital procurement costs resulting from the issuance of a hybrid bond with an indefinite term	-0.2	-0.3
Deferred taxes recognized in the capital reserve on capital procurement costs of capital increases	-2.2	-2.9
Currency translation differences	3.2	48.5
Transition to IFRS 16	-10.9	
Other	0.2	-4.8
Excess deferred tax liabilities as of Dec. 31	**9,228.9**	**10,943.2**

No deferred tax liabilities are recognized for profits accumulated at subsidiaries of € 31,244.0 million (Dec. 31, 2019: € 27,785.0 million), as these profits are to remain invested for an indefinite period or are not subject to taxation. In the event of distribution or disposal of the subsidiaries, 5% of the distributed amounts or the capital gains would be subject to German taxation, so that there would normally be an additional tax obligation.

Section (C): Other Disclosures on the Results of Operations

23 Segment Reporting

Vonovia is an integrated residential real estate company with operations across Europe. The company's strategy is focused on sustainably increasing the value of the company. This is achieved by managing the company's own portfolio sustainably and with a view to enhancing its value, investing in existing residential properties in order to create value, building new residential buildings and selling individual apartments as well as by engaging in active portfolio management and offering property-related services. For the purposes of managing the company, we make a distinction between four segments **Rental, Value-add, Recurring Sales** and **Development**. We also report the **Other** segment, which is not relevant from a corporate management perspective, in our segment reporting. This includes the sale, only as and when the right opportunities present themselves, of entire buildings or land (Non-core Disposals) that are likely to have below-average development potential in terms of rent growth in the medium term and are located in areas that can be described as peripheral compared with Vonovia's overall portfolio and in view of future acquisitions. Ancillary costs are also reported under "Other."

The **Rental** segment combines all of the business activities that are aimed at the value-enhancing management of our own residential real estate. It includes our property management activities in Germany, Austria and Sweden. The consolidation of our property management activities in Germany, Austria and Sweden to form one single reporting segment is based on the similarities that we see in the property management business in these three countries. This applies to the way in which services are provided and the individual service processes that form part of the property management business as well as to the customers in the residential rental market and the type of customer acquisition used. Overall, the residential rental market in all three countries is characterized by a shortage of housing and is regulated by statutory requirements, resulting in return expectations that are similar in the long term.

The **Value-add** segment bundles all of the housing-related services that we have expanded our core rental business to include. These services include both the maintenance and modernization work on our residential properties and services that are closely related to the rental business. We allocate the activities relating to the craftsmen's and residential environment organization, the condominium administration business, the cable TV business, metering services, energy supplies and our insurance services to the Value-add segment.

The **Recurring Sales** segment includes the regular and sustainable disposals of individual condominiums and single-family houses from our portfolio. The consolidation of our sales activities in Germany and Austria to form one single reporting segment is based on the similarities that we see in the property management business in these two countries. It does not include the sale of entire buildings or land (Non-core Disposals). These properties are only sold as and when the right opportunities present themselves, meaning that the sales do not form part of the Recurring Sales segment. We report these opportunistic sales in the **Other** column of the segment report.

The **Development** segment combines cross-country development activities and includes the project development of new residential buildings. The consolidation of our development activities in Germany, Austria and Sweden to form one single reporting segment is based on the similarities that we see in the business in these three countries. The business covers the value chain starting with the purchase of land without any development plan/dedicated purpose and ending with the completion of new buildings and new construction measures on our own properties. These properties are either incorporated into our own portfolio or sold to third parties. The Development segment deals with projects in selected attractive locations. Project development work is currently focusing on Berlin, Hamburg and Vienna. The adjusted EBITDA of the Development segment includes the fair value step-up for properties that were completed in the reporting period and have been added to our own portfolio.

A Group-wide planning and controlling system ensures that resources are efficiently allocated and their successful use is monitored on a regular basis. Reporting to the chief decision-makers and thus the assessment of business performance as well as the allocation of resources are performed on the basis of this segmentation. Asset and liability items are not reported separately by segment. Internal reporting is based on the IFRS reporting standards in general.

The Management Board as chief decision-makers of Vonovia monitor the contribution made by the segments to the company's performance on the basis of the segment revenue as well as the adjusted EBITDA.

The following table shows the segment information for the reporting period:

in € million	Rental	Value-add	Recurring Sales	Develop-ment	Segments total	Other*	Consolida-tion*	Group
Jan. 1–Dec. 31, 2020								
Segment revenue	**2,285.9**	**1,104.6**	**382.4**	**597.1**	**4,370.0**	**984.8**	**-1,323.7**	**4,031.1**
thereof external revenue	2,285.9	51.6	382.4	298.9	3,018.8	984.8	27.5	4,031.1
thereof internal revenue		1,053.0		298.2	1,351.2	–	-1,351.2	-
Carrying amount of assets sold			-308.9		-308.9	-173.5		
Revaluation from disposal of assets held for sale			34.9		34.9	27.9		
Expenses for maintenance	-321.1				-321.1			
Cost of development to sell				-235.9	-235.9			
Cost of development to hold**				-235.4	-235.4		235.4	
Operating expenses	-410.6	-952.3	-16.0	-14.9	-1,393.8	-5.6	992.0	
Ancillary costs						-780.9		
Adjusted EBITDA Total	**1,554.2**	**152.3**	**92.4**	**110.9**	**1,909.8**	**52.7**	**-96.3**	**1,866.2**
Non-recurring items								-61.5
Period adjustments from assets held for sale								15.3
Income from investments in other real estate companies								2.4
EBITDA IFRS								**1,822.4**
Net income from fair value adjustments of investment properties								3,719.8
Depreciation and amortization								-92.3
Income from other investments								-13.4
Interest income								21.9
Interest expenses								-411.4
Other financial result								-32.6
EBT								**5,014.4**
Income taxes								**-1,674.4**
Profit for the period								**3,340.0**

* The revenue for the Rental, Value-add, Recurring Sales and Development segments constitutes income that is regularly reported to the Management Board as the chief operating decision-maker and that reflects Vonovia's sustainable business. The revenue/costs in the "Other" and "Consolidation" columns are not part of the Management Board's segment management.

** Excluding capitalized interest on borrowed capital in 2020 of € 0.8 million (2019 € 0.0 million).

in € million	Rental	Value-add	Recurring Sales	Develop-ment	Segments total	Other*	Consolida-tion*	Group
Jan. 1–Dec. 31, 2019								
Segment revenue**	**2,074.9**	**1,154.8**	**365.1**	**516.9**	**4,111.7**	**908.5**	**-1,349.3**	**3,670.9**
thereof external revenue	2,074.9	50.6	365.1	250.6	2,741.2	908.5	21.2	3,670.9
thereof internal revenue		1,104.2		266.3	1,370.5	–	-1,370.5	–
Carrying amount of assets sold			-302.9		-302.9	-138.7		
Revaluation from disposal of assets held for sale			44.5		44.5	13.0		
Expenses for maintenance	-308.9				-308.9			
Cost of development to sell				-197.3	-197.3			
Cost of development to hold				-207.4	-207.4		207.4	
Operating expenses	-328.6	-1,008.5	-14.8	-27.7	-1,379.6	-8.4	1,039.1	
Ancillary costs						-762.9		
Adjusted EBITDA Total	**1,437.4**	**146.3**	**91.9**	**84.5**	**1,760.1**	**11.5**	**-102.8**	**1,668.8**
Non-recurring items								-93.1
Period adjustments from assets held for sale								2.2
Income from investments in other real estate companies								1.7
EBITDA IFRS								**1,579.6**
Net income from fair value adjustments of investment properties								4,131.5
Depreciation and amortization								-2,175.8
Income from other investments								-11.8
Interest income								8.9
Interest expenses								-417.5
Other financial result								24.0
EBT								**3,138.9**
Income taxes								**-1,844.6**
Profit for the period								**1,294.3**

* The revenue for the Rental, Value-add, Recurring Sales and Development segments constitutes income that is regularly reported to the Management Board as the chief operating decision-maker and that reflects Vonovia's sustainable business. The revenue/costs in the "Other" and "Consolidation" columns are not part of the Management Board's segment management.

** Adjusted (see note [A2] Adjustment to Prior-year Figures).

The reporting of segment revenue was adjusted with the switch to the new internal reporting system. The corresponding prior-year figures have been adjusted. The main adjustments compared with the previous year were as follows:

> The amount disclosed for external Value-add revenue (previously € 248.4 million) has been reduced by income charged to the Rental segment in connection with services and passed on to tenants there in the ancillary costs bills (€ 185.8 million).

> Ancillary cost revenue is shown under external income in the Other category in full. Previously, these amounts were reported under Value-add (€ 185.8 million) and Consolidation (€ 577.1 million).

> The internal Value-add income has been reduced by the revenue from the management of subcontractors in the amount of € 509.8 million, and increased by income charged to the Rental segment in connection with services and passed on to tenants there in the ancillary costs bills (€ 185.8 million).

> In the Development segment, the fair value (€ 266.3 million) for completed new buildings is shown as internal income. The corresponding production costs are reported under costs of development to hold (€ 207.4 million).

> The internal income is completely eliminated in the Consolidation column. The ancillary cost income is matched by an identical value under costs, as the ancillary costs balance is allocated to operating expenses in the Rental segment.

The operating expenses of the segments have been adjusted in line with the changes to the reporting of revenue in each case. This means that the changes in revenue reporting do not result in any changes to the Adjusted EBITDA reported for each segment in general.

To show the development of operating performance and to ensure comparability with previous periods, we calculate adjusted EBITDA for each of our segments: Rental, Value-add, Recurring Sales and Development. The sum of these key figures produces the Group's Adjusted EBITDA Total. The adjustments made include items that are not related to the period, items that recur irregularly and items that are atypical for business operation. The non-recurring items include the expenses for pre-retirement part-time work arrangements and severance payments, the development of new fields of business and business processes, acquisition projects including integration costs and expenses for refinancing and equity increases (where not treated as capital procurement costs).

In the 2020 fiscal year, the **non-recurring items** eliminated in the Adjusted EBITDA Total came to € 61.5 million (2019: € 93.1 million). In the third quarter of 2020, income of € 18.1 million was recognized following the reassessment of a compensation entitlement for non-controlling interests. The following table gives a detailed list of the non-recurring items:

in € million	2019	2020
Transactions*	48.2	24.0
Personnel matters	13.2	27.5
Business model optimization	27.6	13.9
Refinancing and equity measures	4.1	-3.9
Total non-recurring items	**93.1**	**61.5**

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

The breakdown of non-Group revenue from contracts with customers (pursuant to IFRS 15.114f.) and its allocation to the segments referred to above is as follows:

in € million	Rental	Value-add	Recurring Sales	Development	Other	Consoli-dation	Total
Jan. 1-Dec. 31, 2020							
Revenue from ancillary costs (IFRS 15)	–	–	–	–	645.7	–	645.7
Income from the disposal of investment properties	–	–	234.9	–	86.4	–	321.3
Income from disposal of real estate inventories (Development)	–	–	–	297.7	–	–	297.7
Other revenue from contracts with customers		50.2				27.5	77.7
Revenue from contracts with customers	–	50.2	234.9	297.7	732.1	27.5	1,342.4
thereof period-related	–	–	–	194.4	–	–	194.4
thereof time-related	–	50.2	234.9	103.3	732.1	–	1,120.5
Income from rental income (IFRS 16)	2,285.9	1.4	–	1.2		–	2,288.5
Revenue from ancillary costs (IFRS 16)*	–	–	–	–	135.2	–	135.2
Income from sale of assets held for sale (IFRS 5)	–	–	147.5	–	117.5	–	265.0
Other revenue	2,285.9	1.4	147.5	1.2	252.7	–	2,688.7
Revenues	**2,285.9**	**51.6**	**382.4**	**298.9**	**984.8**	**27.5**	**4,031.1**
Jan. 1-Dec. 31, 2019							
Revenue from ancillary costs (IFRS 15)	–	–	–	–	627.3	–	627.3
Income from the disposal of investment properties	–	–	184.9	–	42.2	–	227.1
Income from disposal of real estate inventories (Development)	–	–	–	249.5	–	–	249.5
Other revenue from contracts with customers	–	48.7	–	–		21.2	69.9
Revenue from contracts with customers	–	48.7	184.9	249.5	669.5	21.2	1,173.8
thereof period-related	–	–	–	183.6	–	–	183.6
thereof time-related	–	48.7	184.9	65.9	669.5	–	990.2
Income from rental income (IFRS 16)	2,074.9	1.9	–	1.1	–	–	2,077.9
Revenue from ancillary costs (IFRS 16)*	–	–	–	–	135.6	–	135.6
Income from sale of assets held for sale (IFRS 5)	–	–	180.2	–	103.4	–	283.6
Other revenue	2,074.9	1.9	180.2	1.1	239.0	–	2,497.1
Revenues	**2,074.9**	**50.6**	**365.1**	**250.6**	**908.5**	**21.2**	**3,670.9**

* Includes land tax and buildings insurance.

External income and non-current assets, excluding financial instruments, deferred tax assets, post-employment benefits and rights under insurance contracts, are distributed among Vonovia's country of origin and other countries as follows. The revenue and the assets are allocated based on the registered office of the unit providing the service.

	External income		Assets	
in € million	Jan. 1–Dec. 31, 2019	Jan. 1–Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020
Germany	3,087.0	3,299.0	44,969.4	49,902.9
Austria	415.6	393.4	3,067.9	3,189.9
Sweden	168.1	338.7	6,777.8	7,294.5
France	0.0	0.0	104.1	110.7
Other countries	0.2	0.0	88.1	117.5
Total	**3,670.9**	**4,031.1**	**55,007.3**	**60,615.5**

24 Earnings per Share

Accounting Policies

The basic **earnings per share** are calculated by dividing the profit for the period attributable to the shareholders by the weighted average number of ordinary shares in circulation during the reporting period. The diluted earnings per share are obtained by adjusting the profit for the period and the number of outstanding shares on the basis of the assumption that convertible instruments will be converted, options or warrants will be exercised or ordinary shares will be issued under certain conditions. Potential ordinary shares will only be included in the calculation if the conversion into ordinary shares would reduce the earnings per share.

	2019	2020
Profit for the period attributable to Vonovia shareholders (in € million)	1,147.0	3,228.5
Weighted average number of shares	532,734,172	550,416,020
Earnings per share (basic and diluted) in €	**2.15**	**5.87**

At the end of the reporting period, no diluting financial instruments were in circulation. The basic earnings per share correspond to the diluted earnings per share.

25 Management Board's Proposal for the Appropriation of Profit

The Management Board and the Supervisory Board propose to the Annual General Meeting that, of the profit of Vonovia SE for the 2020 fiscal year of € 1,000,000,000.00, an amount of € 956,349,535.31 on the 565,887,299 shares of the share capital as of December 31, 2020 (corresponding to € 1.69 per share) be paid as a dividend to the shareholders, and that the remaining amount of € 43,650,464.69 be carried forward to the new account or be used for other dividends on shares carrying dividend rights at the time of the Annual General Meeting and which go beyond those as of December 31, 2020.

As with the 2018 and 2019 fiscal years, the dividend for the 2020 fiscal year, payable after the Annual General Meeting to be held on April 16, 2021, will again include the option of a non-cash dividend in shares, to the extent that the Management Board and the Supervisory Board consider this to be in the interests of the company and its shareholders.

Section (D): Assets

26 Intangible Assets

in € million	Concessions, industrial property rights, license and similar rights	Self-developed software	Customer relationships and non-competition clause	Trademark rights	Goodwill	Total
Cost						
As of Jan. 1, 2020	85.7	5.1	10.4	66.6	4,514.9	4,682.7
Additions due to business combinations	3.5	0.2	3.4	–	66.5	73.6
Additions	24.5	1.8	–	–	–	26.3
Disposals	-4.8	–	–	–	–	-4.8
Changes in value from currency translation	–	–	–	–	35.4	35.4
Transfers	-1.2	–	–	–	–	-1.2
As of Dec. 31, 2020	107.7	7.1	13.8	66.6	4,616.8	4,812.0
Accumulated amortization						
As of Jan. 1, 2020	49.7	3.1	3.7	–	3,122.0	3,178.5
Amortization in reporting year	21.4	1.6	3.5	–	–	26.5
Disposals	-4.8	–	–	–	–	-4.8
Changes in value from currency translation	–	–	–	–	0.1	0.1
As of Dec. 31, 2020	66.3	4.7	7.2	–	3,122.1	3,200.3
Carrying amounts						
As of Dec. 31, 2020	41.4	2.4	6.6	66.6	1,494.7	1,611.7
Cost						
As of Jan. 1, 2019	68.3	6.7	8.5	66.6	3,860.9	4,011.0
Additions due to business combinations	3.5	–	–	–	644.9	648.4
Additions	17.0	1.5	1.9	–	–	20.4
Disposals	-8.0	–	–	–	–	-8.0
Changes in value from currency translation	0.1	–	–	–	9.1	9.2
Transfers	4.8	-3.1	–	–	–	1.7
As of Dec. 31, 2019	85.7	5.1	10.4	66.6	4,514.9	4,682.7
Accumulated amortization						
As of Jan. 1, 2019	41.6	4.9	2.8	–	1,018.5	1,067.8
Additions due to business combinations	0.7	–	–	–	–	0.7
Additions	11.9	1.3	0.9	–	–	14.1
Impairment	–	–	–	–	2,103.5	2,103.5
Disposals	-8.0	–	–	–	–	-8.0
Transfers	3.5	-3.1	–	–	–	0.4
As of Dec. 31, 2019	49.7	3.1	3.7	–	3,122.0	3,178.5
Carrying amounts						
As of Dec. 31, 2019	36.0	2.0	6.7	66.6	1,392.9	1,504.2

Accounting Policies

Acquired other intangible assets are stated at amortized cost. **Internally generated other intangible assets** are stated at amortized cost provided that the requirements of IAS 38 for the capitalization of internally generated intangible assets are met. Acquired trademark rights that are identified have an indefinite useful life and are subject to regular impairment testing. All of Vonovia's miscellaneous other intangible assets have definite useful lives and are amortized on a straight-line basis over their estimated useful lives. Software and licenses are amortized on the basis of a useful life of three years.

In accordance with IAS 36 "Impairment of Assets," **other intangible assets as well as property, plant and equipment** are tested for impairment whenever there is an indication of an impairment. Impairment testing is performed at least once a year. An impairment loss is recognized when an asset's recoverable amount is less than its carrying amount. If the recoverable amount cannot be determined for the individual asset, the impairment test is conducted on the cash-generating unit (CGU) to which the asset belongs. Impairment losses are recognized as expenses in the income statement affecting net income.

An impairment loss recognized for prior periods is reversed if there has been a change in the estimates used to determine the asset's (or the CGU's) recoverable amount since the last impairment loss was recognized. The carrying amount of the asset (or the CGU) is increased to the newly estimated recoverable amount. The carrying amount is limited to the amount that would have been determined if no impairment loss had been recognized in prior years for the asset (or the CGU).

Customer Relationships and Similar Values

The brand name "BUWOG Group" for the development business was identified within the framework of the purchase price allocation for BUWOG as a material asset with indefinite useful life and still recognized at a value of € 66.6 million. There were no indications of impairment.

Goodwill

Accounting Policies

Goodwill results from a business combination and is defined as the amount by which the acquisition costs for shares in a company or group of companies exceed the pro rata net assets acquired. The net assets are the total of the identifiable assets acquired that are valued at fair value in accordance with IFRS 3 as well as the assumed liabilities and contingent liabilities.

Goodwill is not subject to amortization, but rather is subjected to impairment testing on an annual basis. It is also tested for impairment whenever events or circumstances indicating an impairment arise.

The impairment testing of goodwill is performed at the level of cash-generating units (CGUs) or a group of cash-generating units. A cash-generating unit is the smallest group of assets which generates cash inflows that are largely independent of the cash inflows generated by other assets or other groups of assets. Goodwill purchased as part of a business combination is allocated to the CGUs or groups of CGUs that are expected to produce benefits resulting from the synergy effects of the combination.

At Vonovia, each property meets the requirements for classification as a CGU as a general rule. As part of operational management, these properties are grouped first of all to form geographically structured business units and then to form regional business areas. Since the regional business areas are the lowest level within the company at which goodwill is monitored for internal management purposes, the impairment test is performed at business area level and, as a result, in accordance with IAS 36.80 for a group of CGUs. The acquired assets are allocated to the business areas based on the geographical location of the properties. A further group of CGUs for which goodwill is monitored for internal management purposes relates to the Value-add segment. The third group of CGUs, to which goodwill is allocated and for which goodwill is monitored for management purposes, relates to the Development segment.

The group of CGUs to which goodwill has been allocated are tested for impairment on a regular basis. This involves comparing the recoverable amount with the carrying amount of the group of CGUs. The recoverable amount of the group of CGUs is either its value in use or fair value less costs of sale, whichever is higher. When calculating the value in use, the estimated future cash flows are discounted to their cash value. Discount rates before tax are used that reflect the current market assessment of the interest rate effect and the specific risks associated with the business areas/the Value-add and Development segments.

If goodwill has been allocated to a group of CGUs and its carrying amount exceeds the recoverable amount, the goodwill is to be written down in the amount of the difference in the first instance. Any need for impairment in excess of this amount is distributed among the other assets in the group of CGUs in proportion to their carrying amount. The individual fair value less costs to sell must not be undercut in this regard.

Impairment losses that have been realized as part of the valuation of goodwill are not reversed in the following years.

Groups of Cash-Generating Units

in € million	Rental segment North area	West area	Sweden Business Area	Value-add segment	Development segment	not allocated	Group
Goodwill 2019	**73.7**	**84.0**	**192.9**	**278.5**	**106.1**	**657.7**	**1,392.9**
Additions due to business combinations					32.1	34.4	66.5
Allocation			657.7			-657.7	0.0
Currency translation differences			35.3				35.3
Goodwill 2020	**73.7**	**84.0**	**885.9**	**278.5**	**138.2**	**34.4**	**1,494.7**
WACC before tax Dec. 31, 2020 in %	3.8	3.8	3.6	3.9	6.0		–
WACC before tax Dec. 31, 2019 in %	3.8	3.8	3.8	4.1	4.8		–
Sustainable rate of increase 2020 in %	1.0	0.9	1.0	1.0	1.0		1.0
Sustainable rate of increase 2019 in %	1.0	0.9	1.0	1.0	1.0		1.0

Goodwill came to € 1,494.7 million as of December 31, 2020. This means that goodwill has risen by € 101.8 million compared with December 31, 2019. Currency changes affecting the Swedish krona resulted in an increase of € 35.3 million. The additions due to business combinations in the amount of € 66.5 million result from an addition due to the acquisition of Bien-Ries GmbH in the amount of € 32.1 million, and the addition in the amount of € 34.4 million from the acquisition of H&L Immobilien GmbH.

Due to the provisional purchase price allocation, the goodwill resulting from the acquisition of H&L Immobilien GmbH had not yet been allocated to a cash-generating unit as of the reporting date.

The mandatory annual impairment test performed in the fourth quarter confirmed the value of the goodwill.

As part of the impairment test in accordance with IAS 36.19, first the value in use was calculated based on the Management Board-approved detailed plan with a planning period of five years. This was derived from the five-year plan at Group level approved by the Management Board and the Supervisory Board. The main parameters for calculating the value in use are the sustainable rate of increase, the average total cost of capital (WACC) and the expected cash flows. In the Development segment, a sixth, sustainable planning year was added to the five-year plan to reflect a "steady state".

The growth rate for the CGUs of the rental segment was calculated regionally on the basis of in-place rents and limited to 1.0% for the segment as a whole. With regard to the regional business areas of the Rental segment, the main drivers behind the results of the five-year plan are the increase in gross rental income by an average of 2.3% every year as well as the planned vacancy rate of 2.4% at the end of the detailed planning period.

Developments in the Value-add segment are characterized primarily by the extension of existing business areas (craftsmen's organization, multimedia, management of residential property, smart metering, etc.). On the other hand, there is an increase in operating expenses, taking into account the rate of inflation. The development in these values is in line with past experiences of business model development. The cash flows from the last detailed planning year were derived to calculate the perpetual annuity.

The Development segment is characterized by the construction of new buildings for Vonovia's own portfolio and by the sale of properties to third parties. The main drivers of the results in the Development segment are the investment costs, the number of units sold and the sales margin that can be generated.

A constant growth rate of 1.0% was assumed for the Value-add and Development segments.

The weighted average cost of capital before tax is based on the risk-free interest rate calculated as a three-month average using the Svensson method, a market risk premium and a levered beta. The levered beta and the equity ratios used are determined on the basis of a peer comparison. In addition, a country-specific cost surcharge was also calculated for the Development segment. The main parameters are shown in the following table:

Parameters for WACC Calculation

	Rental segment			
	Germany	Sweden	Value-add segment	Development segment
Dec. 31, 2020				
Risk-free interest rate in %	-0.20	-0.20	-0.20	-0.20
Market risk premium in %	7.75	7.75	7.75	7.75
Levered beta	0.65	0.65	0.65	0.84
Country-specific premium in %	–	–	–	0.12
Dec. 31, 2019				
Risk-free interest rate in %	0.18	0.18	0.18	0.18
Market risk premium in %	7.75	7.75	7.75	7.75
Levered beta	0.52	0.53	0.52	0.62
Country-specific premium in %	–	0.10	–	0.08

A increase in the cost of capital will result in the following need for impairment:

	Rental segment				
	North area	West area	Sweden business area	Value-add segment	Development segment
Goodwill 2020 in € million	73.7	84.0	885.9	278.5	138.2
Impairment starts with an increase of the WACC in percentage points	0.05	0.17	0.25	9.70	3.40
Full write-off in the event of an increase in the WACC in %	0.06	0.18	0.55	19.50	4.40

If the planned sustainable rate of increase were to decline by 0.25 percentage points, this would result in a full impairment loss of € 73.7 million being recognized against the goodwill remaining in the North business area. In the West area, a full impairment loss of € 84.0 million would be recognized if the sustainable rate of increase were to decline by 0.25 percentage points. The estimated recoverable amount for the North business area exceeds its carrying amount by € 184.8 million and that of the West business area by € 810.3 million.

In the Sweden business area as well as in the Value-add and Development segments, a 0.25 percentage point drop in the sustainable rate of increase would not result in any goodwill impairment.

27 Property, Plant and Equipment

in € million	Owner-occupied properties	Technical equipment, plant and machinery	Other equipment, fixtures, furniture and office equipment	Total
Cost				
As of Jan. 1, 2020	193.5	51.7	228.9	474.1
Additions due to business combinations	2.2	–	0.6	2.8
Additions	12.0	12.9	68.9	93.8
Capitalized modernization costs	1.7	0.6	0.2	2.5
Disposals	-6.0	-0.1	-14.8	-20.9
Transfer from investment properties	10.7	–	–	10.7
Transfer to investment properties	-12.8	–	–	-12.8
Other transfers	–	0.1	0.1	0.2
Revaluation from currency effects	–	0.0	0.3	0.3
As of Dec. 31, 2020	201.3	65.2	284.2	550.7
Accumulated depreciation				
As of Jan. 1, 2020	9.9	26.9	78.7	115.5
Depreciation in reporting year	4.3	9.8	51.7	65.8
Impairment	0.5	–	–	0.5
Reversal of impairments	-0.6	–	–	-0.6
Disposals	-4.1	-0.2	-14.1	-18.4
Other transfers	–	0.4	-0.3	0.1
Revaluation from currency effects	–	0.1	0.1	0.2
As of Dec. 31, 2020	10.0	37.0	116.1	163.1
Carrying amounts				
As of Dec. 31, 2020	191.3	28.2	168.1	387.6
Cost				
As of Jan. 1, 2019	143.8	46.0	130.3	320.1
Additions due to business combinations	–	0.6	2.7	3.3
Additions of right-of-use assets (IFRS 16) due to first-time application	29.1	–	53.1	82.2
Additions	28.0	5.1	59.0	92.1
Capitalized modernization costs	1.8	0.0	0.1	1.9
Grants received	-1.0	–	–	-1.0
Disposals	-0.4	–	-10.0	-10.4
Transfer from investment properties	3.3	–	–	3.3
Transfer to investment properties	-11.1	–	–	-11.1
Other transfers	–	–	-6.3	-6.3
As of Dec. 31, 2019	193.5	51.7	228.9	474.1
Accumulated depreciation				
As of Jan. 1, 2019	6.3	20.6	42.8	69.7
Additions due to business combinations	–	0.5	1.9	2.4
Depreciation in reporting year	4.2	5.8	47.8	57.8
Impairment	0.5	–	–	0.5
Reversal of impairments	-0.7	–	–	-0.7
Disposals	-0.4	–	-8.7	-9.1
Other transfers	–	–	-5.1	-5.1
As of Dec. 31, 2019	9.9	26.9	78.7	115.5
Carrying amounts				
As of Dec. 31, 2019	183.6	24.8	150.2	358.6

Accounting Policies

Items of property, plant and equipment are carried at amortized cost less accumulated depreciation and are depreciated over their respective estimated useful lives on a straight-line basis.

Subsequent costs of replacing part of an item of property, plant and equipment are capitalized provided it is probable that future economic benefits associated with the item will flow to Vonovia and the cost can be estimated reliably.

The properties used by the company itself are subject to depreciation over a term of 50 years, with fixtures, furniture and office equipment subject to depreciation over a period of 3–13 years and technical equipment, plant and machinery over a period of 5–20 years.

As of December 31, 2020, the item "Owner-occupied properties" includes € 107.9 million (Dec. 31, 2019: € 106.2 million), which mainly enclose production costs for the construction of the new Vonovia headquarters in Bochum and of the BUWOG headquarters in Vienna, Austria.

Furthermore, carrying amounts of owner-occupied properties amounting to € 36.3 million as of December 31, 2020 (Dec. 31, 2019: € 30.6 million) are encumbered with land charges in favor of various lenders.

28 Investment Properties

in € million	
As of Jan. 1, 2020	**52,736.6**
Additions due to business combinations	123.0
Additions	605.1
Capitalized modernization costs	1,114.5
Grants received	-19.6
Transfer to property, plant and equipment	-10.7
Transfer from property, plant and equipment	12.8
Transfer from down payments made	42.2
Transfer from real estate inventories	14.2
Transfer to real estate inventories	-88.2
Transfer from assets held for sale	2.4
Transfer to assets held for sale	-298.1
Disposals	-217.6
Net income from fair value adjustments of investment properties	3,719.8
Revaluation of assets held for sale	78.2
Revaluation from currency effects	257.2
As of Dec. 31, 2020	**58,071.8**
As of Jan. 1, 2019	**43,490.9**
Additions due to business combinations	3,202.9
Additions of right-of-use assets (IFRS 16) due to first-time application	217.9
Additions	983.9
Capitalized modernization costs	1,117.6
Grants received	-14.2
Other transfers	-2.8
Transfer from property, plant and equipment	11.1
Transfer to property, plant and equipment	-3.3
Transfer from real estate inventories	5.4
Transfer to real estate inventories	-21.8
Transfer from assets held for sale	4.5
Transfer to assets held for sale	-316.1
Disposals	-158.2
Disposals due to changes in scope of consolidation	-4.8
Net income from fair value adjustments of investment properties	4,131.5
Revaluation of assets held for sale	59.7
Revaluation from currency effects	32.4
As of Dec. 31, 2019	**52,736.6**

Accounting Policies

When Vonovia acquires properties, whether through a business combination or as part of a separate transaction, the intended use determines whether such properties are classified as investment properties or as owner-occupied properties.

Investment properties are properties that are held for the purpose of earning rental income or for capital appreciation or both and are not owner-occupied or held for sale in the ordinary course of business. Investment properties include undeveloped land, land and land rights including buildings and land with hereditary building rights of third parties. Investment properties also include right-of-use assets from rented, developed and undeveloped land (hereditary building rights) and from rented residential and commercial properties (interim leasing) within the meaning of IFRS 16 that are classified as investment properties.

Investment properties are initially measured at cost. Related transaction costs, such as fees for legal services or real estate transfer taxes, are included in the initial measurement. If properties are purchased as part of a business combination and if the transaction relates to a "business," then IFRS 3 applies as far as recognition is concerned. Transaction costs are recognized as an expense.

Following initial recognition, investment properties are measured at fair value. Any change therein is recognized as affecting net income in the income statement. During the land or project development phase, reliable measurement at fair value is often not possible due to the lack of marketability and the lack of comparable transactions. In such cases, the cost model is continued until a reliable measurement can be carried out, but at the latest until the property in question is completed.

Investment properties are transferred to property, plant and equipment when there is a change in use evidenced by the commencement of owner-occupation. The properties' deemed cost for subsequent measurement corresponds to the fair value at the date of reclassification.

The values as of December 31, 2020 include assets of € 425.4 million (2019: € 376.1 million) that are measured using the acquisition costs model, as their fair value cannot be measured reliably on a continuing basis.

The additions in 2020 include € 435.5 million (2019: € 493.0 million) in production costs for new construction activities.

The total amount reported for investment properties as of December 31, 2020, includes right-of-use assets from recognized hereditary building rights and interim leasing arrangements in the amount of € 1,433.2 million (2019: € 1,224.8 million). In this respect, we also refer to chapter [E42] Leases.

The majority of € 1,431.9 million is attributable to right-of-use assets from hereditary building rights (2019: € 1,223.7 million). This includes right-of-use assets of € 76.3 million (2019: € 78.1 million) relating to the Spree-Bellevue (Spree-Schlange) property in Berlin. The property has been leased from DB Immobilienfonds 11 Spree-Schlange von Quistorp KG until 2044. The lease agreement includes an obligation to pay compensation for use as agreed by contract. At the end of 2028, each fund subscriber is entitled to return his share to the property fund at a fixed redemption price. If all of the fund investors make use of this option, Vonovia is obliged to acquire the property at a fixed purchase price after deduction of borrowings. If more than 75% of the shares are returned in this way, Vonovia has a call option for the purchase of all fund shares.

For the investment properties encumbered with land charges in favor of various lenders, see chapter [E40] Non-derivative Financial Liabilities.

Directly Attributable Operating Expenses

Rental income from investment properties amounted to € 2,288.5 million (2019: € 2,077.9 million). Operating expenses directly relating to these properties amounted to € 260.4 million during the fiscal year (2019: € 218.7 million). These include expenses for maintenance, ancillary costs that cannot be passed on to the tenants, personnel expenses from the caretaker and craftsmen's organizations, and income from the capitalized internal expenses. The capitalized internal expenses relate to the work performed by the Group's own craftsmen's organization and the management costs for major modernization projects.

Long-term Leases

Vonovia as a lessor has concluded long-term leases on commercial properties. These are non-cancelable leases. The minimum future lease receipts from these leases are due as follows:

in € million	Dec. 31, 2019	Dec. 31, 2020
Total minimum lease payments	124.2	89.5
Due within 1 year	29.2	25.7
Due in 1 to 5 years	58.6	53.8
Due after 5 years	36.4	10.0

Fair Values

The value of the entire portfolio of residential properties was determined on the basis of the International Valuation Standard Committee's definition of market value. Portfolio premiums and discounts, which can be observed when portfolios are sold in market transactions, were not included. Nor were time restrictions in the marketing of individual properties. Vonovia determines fair value in accordance with the requirements of IAS 40 in conjunction with IFRS 13.

Vonovia, in principle, measures its portfolio on the basis of the discounted cash flow (DCF) method. Under the DCF methodology, the expected future income and costs of a property are forecasted over a detailed period and discounted to the date of valuation as the net present value. The detailed period for the German portfolio is 10 years. Due to the particular market situation in Austria and in order to reflect the extensive Austrian rent restrictions, a sales scenario involving the recurring sales of apartments is assumed for a subportfolio. In order to present these sales in the correct accounting period, the detailed period for the Austrian DCF model has been extended to 100 years.

The income in the DCF model mainly comprises expected rental income (current in-place rent, market rents as well as their development) taking vacancy losses into account. In Austria, it also includes sales revenues from a subportfolio. The expected rental income is derived for each location from the latest rent indices and rent tables (including Value AG, IVD, the Austrian Economic Chambers (WKÖ)) as well as from studies on spatial prosperity (Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR), Prognos, Value AG, Bertelsmannstiftung, the Austrian statistical office, Statistik Austria, etc.). The expected sales revenues are derived from historical sale prices as well as market data (e.g., WKÖ, EHL).

On the cost side, maintenance expenses and administrative costs are taken into account. In Germany, these are taken into account in accordance with the II. Berechnungsverordnung and inflated in the reporting period. The II. Berechnungsverordnung (BV) is the German Regulation on Calculations for Residential Buildings in accordance with the Second Housing Construction Law, which stipulates how economic viability calculations for homes are to be performed. These cost approaches are also transferred to the Austrian market. Further cost items are, for example, ground rents, non-allocable ancillary costs, rent losses and, in Austria, selling costs. Modernization measures carried out in the housing stocks are factored in by decreasing the current maintenance expenses and adjusting market rents.

On this basis, the forecast cash flows are calculated on an annual basis and discounted to the date of valuation as the net present value. In addition, the terminal value of properties in the German portfolio at the end of the ten-year period is determined using the expected stabilized net operating income and again discounted to the date of valuation as the net present value. The discount rate applied reflects the market situation, location, type of property, special property features (e.g., hereditary building rights, rent restrictions), the yield expectations of a potential investor and the risk associated with the forecast future cash flows of the property. The present value calculated in this way is reconciled to the market value by deducting standard market transaction costs, such as real estate transfer taxes, agent and notary costs. As the detailed period in the Austrian DCF model has been extended to 100 years in order to present the sales scenarios in the correct accounting period, no terminal value is applied here.

The commercial properties in the portfolio are mainly small commercial units for the supply of the local residential environment. Different cost approaches are used to those for residential properties, and discount rates were adjusted to reflect the market specifics.

The valuation is, in principle, performed on the basis of homogeneous valuation units. These meet the criteria of economically cohesive and comparable land and buildings. They include:

> Geographical location (identity of the microlocation and geographical proximity)
> Comparable types of use, building class, construction year class and condition of property
> Same property features such as rent restrictions, hereditary building rights and full or part ownership

The Vonovia portfolio also contains project developments, existing areas with construction potential and land areas with inheritable building rights granted. Project developments are measured using the cost approach until the construction work is complete. If the project is then to be managed within Vonovia's own portfolio, it is measured at fair value using the DCF procedure described above once the construction work is complete. Existing areas with construction potential are valued using a comparable method on the basis of the local standard land value evaluated. Deductions are taken into account in particular for the readiness for construction and potential use as well as for likelihood of development and the development situation. Inheritable building rights granted are valued in the same way as the property portfolio using a DCF method. The input parameters here are the duration and amount of ground rent and the value of the land.

Vonovia determined the fair values of its real estate portfolio in Germany and Austria as of December 31, 2020 in its in-house valuation department on the basis of the methodology described above. The property assets are also assessed by the independent property appraiser CBRE GmbH. The market value resulting from the external review deviates from the internal valuation result by less than 0.1%.

For the portfolio in Sweden, the result of the external appraiser Savills Sweden AB in cooperation with Malmöbryggan Fastighetsekonomi AB was applied. The fair values for the Swedish portfolio were also calculated using a DCF method that is generally comparable to the procedure used by Vonovia, as explained above, but takes account of specific features of the Swedish real estate market. These include, by way of example, the reflection of the inclusive rents received (including costs for heating and water, among other things) and the explicit inclusion of expenses billed as ancillary expenses in Germany, for example, as operator costs on the owner's side.

The contractually fixed remuneration for the valuation report is not linked to the valuation results.

The right-of-use assets from leasehold contracts are recognized at their fair value. The fair value of the leasehold contracts corresponds to the present value of the standard market leasehold fee payments up until the end of the term of the hereditary building right in question. These are calculated based on the current amount of the ground rent. In order to calculate the present value, the leasehold fee payments are discounted using a property-specific interest rate.

The real estate portfolio of Vonovia is to be found in the items investment properties, property, plant and equipment (owner-occupied properties), real estate inventories, contract assets and assets held for sale. The fair value of the portfolio comprising residential buildings, commercial properties, garages and parking spaces, project developments, as well as undeveloped land and any inheritable building rights granted was € 58,910.7 million as of December 31, 2020 (Dec. 31, 2019: € 53,316.4 million). This corresponds to a net initial yield for the developed land of 2.9% (total portfolio including Sweden and Austria; Dec. 31, 2019: 3.1%). For Germany, this results in an in-place-rent multiplier of 25.4 for the portfolio (Dec. 31, 2019: 23.5) and a fair value per m^2 of € 2,099 (Dec. 31, 2019: € 1,893). The in-place-rent multiplier and fair value for the Austrian portfolio come to 25.5 and € 1,570 per m^2 (Dec. 31, 2019: 24.7 and € 1,455 per m^2), while the values for Sweden come to 17.4 and € 2,090 per m^2 (Dec. 31, 2019: 17.1 and € 1,899 per m^2).

The material valuation parameters for the investment properties (Level 3) in the real estate portfolio are as follows as of December 31, 2020, broken down by regional markets:

	Valuation results*			
Regional market	Fair value (in € million)	thereof assets held for sale (in € million)	thereof owner-occupied properties (in € million)	thereof investment properties (in € million)
Dec. 31, 2020				
Berlin	7,815.5	2.4	7.9	7,805.1
Rhine Main area	4,934.0	22.2	6.7	4,905.2
Rhineland	4,213.1	20.0	7.0	4,186.1
Southern Ruhr area	4,483.3	28.3	8.6	4,446.5
Dresden	4,044.5	6.4	6.5	4,031.6
Hamburg	3,087.2	6.7	3.8	3,076.7
Munich	2,496.3	5.1	4.4	2,486.8
Stuttgart	2,319.9	6.4	2.1	2,311.4
Kiel	2,535.7	1.4	3.4	2,531.0
Hanover	2,053.6	0.9	2.3	2,050.4
Northern Ruhr area	1,893.8	8.9	6.2	1,878.7
Bremen	1,318.3	1.1	2.0	1,315.2
Leipzig	1,054.8	10.3	1.2	1,043.4
Westphalia	1,028.7	3.7	1.8	1,023.2
Freiburg	696.8	0.2	2.0	694.5
Other strategic locations	3,198.2	6.1	5.0	3,187.0
Total strategic locations	**47,173.7**	**130.1**	**70.9**	**46,972.8**
Non-strategic locations	609.2	12.9	1.1	595.2
Vonovia Germany	**47,782.8**	**142.9**	**72.0**	**47,567.9**
Vonovia Sweden**	6,219.4	0.0	0.0	6,219.4
Vonovia Austria**	2,832.2	17.5	50.2	2,764.5

* Fair value of the developed land excl. € 2,076.3 million for development, undeveloped land, inheritable building rights granted and other; € 1,221.1 million of this amount relates to investment properties. The investment properties balance sheet item also includes the present value in connection with payments for right-of-use assets in the amount of € 298.9 million.

** The valuation methods used for the portfolio in Austria and Sweden provide valuation parameters that are only partially comparable. Administrative and maintenance expenses are not shown separately.

	Valuation parameters investment properties (Level 3)						
	Management costs residential (€ per residential unit p.a.)	Maintenance costs total residential (€/m² p.a.)	Market rent residential (€/m² per month)	Market rent increase residential	Stabilized vacancy rate residential	Discount rate total	Capitalized interest rate total
	261	14.00	7.88	1.8%	1.1%	3.9%	2.1%
	282	13.97	9.33	1.8%	1.1%	4.6%	2.9%
	280	13.71	8.22	1.7%	1.9%	4.9%	3.3%
	276	12.69	7.00	1.5%	2.6%	4.8%	3.5%
	247	14.08	6.74	1.7%	2.2%	4.8%	3.3%
	267	14.36	8.46	1.6%	1.3%	4.5%	3.1%
	271	13.97	11.41	1.9%	0.6%	4.4%	2.7%
	282	14.61	9.20	1.8%	1.2%	4.7%	3.1%
	268	14.67	7.42	1.7%	1.7%	4.9%	3.4%
	269	14.00	7.45	1.7%	2.1%	4.8%	3.3%
	278	13.22	6.43	1.3%	3.3%	5.2%	4.2%
	274	13.27	6.94	1.8%	2.1%	4.8%	3.2%
	262	14.87	6.70	1.7%	2.9%	4.9%	3.3%
	273	13.17	7.25	1.5%	2.0%	4.9%	3.6%
	278	15.22	8.35	1.7%	1.0%	4.5%	2.9%
	278	14.09	7.64	1.6%	2.3%	4.9%	3.5%
	270	**13.85**	**7.74**	**1.7%**	**1.9%**	**4.7%**	**3.1%**
	274	14.72	7.58	1.6%	2.7%	4.8%	3.2%
	270	**13.86**	**7.74**	**1.7%**	**1.9%**	**4.7%**	**3.1%**
	n.a.	n.a.	10.46	2.0%	0.9%	5.3%	3.7%
	n.a.	19.43	5.61	1.4%	2.4%	5.4%	n.a.

Regional market	Valuation results* Fair value (in € million)	thereof assets held for sale (in € million)	thereof owner-occupied properties (in € million)	thereof investment properties (in € million)
Dec. 31, 2019				
Berlin	7,450.0	1.7	5.9	7,442.4
Rhine Main area	4,432.0	12.1	5.6	4,414.3
Rhineland	3,822.7	5.8	7.4	3,809.5
Southern Ruhr area	3,850.5	7.5	3.9	3,839.1
Dresden	3,584.8	0.0	6.1	3,578.7
Hamburg	2,762.2	6.4	2.7	2,753.1
Munich	2,283.3	6.2	3.8	2,273.3
Stuttgart	2,122.9	1.5	2.0	2,119.3
Kiel	2,101.9	0.0	2.6	2,099.3
Hanover	1,873.5	3.4	2.2	1,868.0
Northern Ruhr area	1,696.9	6.7	5.3	1,684.9
Bremen	1,182.3	0.0	1.8	1,180.5
Leipzig	958.3	10.6	1.1	946.7
Westphalia	903.2	0.0	1.1	902.1
Freiburg	657.2	0.0	1.9	655.3
Other strategic locations	2,899.8	2.8	4.2	2,892.8
Total strategic locations	**42,581.5**	**64.7**	**57.6**	**42,459.3**
Non-strategic locations	694.7	64.6	2.0	628.1
Vonovia Germany	**43,276.2**	**129.3**	**59.5**	**43,087.4**
Vonovia Sweden**	5,642.0	0.0	0.0	5,642.0
Vonovia Austria**	2,654.9	0.4	0.0	2,654.4

* Fair value of the developed land excl. € 1,743.4 million for development, undeveloped land, inheritable building rights granted and other; € 1,058.2 million of this amount relates to investment properties. The investment properties balance sheet item also includes the present value in connection with payments for right-of-use assets in the amount of € 294.6 million.
** The valuation methods for the portfolio in Austria and Sweden use valuation parameters that are only partially comparable. Administrative and maintenance expenses are not shown separately.

The inflation rate applied to the valuation procedure comes to 1.6%. For the Austrian portfolio, a sales strategy with an average selling price of € 2,172 per m² was assumed for 53.8% of the properties.

Net income from the valuation of investment properties amounted to € 3,719.8 million in the 2020 fiscal year (Dec. 31, 2019: € 4,131.5 million).

Sensitivity Analyses

The sensitivity analyses performed on Vonovia's real estate portfolio show the impact of value drivers dependent upon market developments. Those influenced are in particular the market rents and their development, the amount of assessed administrative and maintenance expenses, cost increases, the vacancy rate and interest rates. The effect of possible fluctuations in these parameters is shown separately for each parameter according to regional market in the following.

Interactions between the parameters are possible but cannot be quantified owing to the complexity of the interrelationships. The vacancy and market rent parameters, for example, can influence each other. If rising demand for housing is not met by adequate supply developments, then this can result in lower vacancy rates and, at the same time, rising market rents. If, however, the rising demand is compensated for by a high vacancy reserve in the location in question, then the market rent level does not necessarily change.

Changes for demand in housing can also impact the risk associated with the expected payment flows, which is then reflected in adjusted amounts recognized for discounting and capitalized interest rates. The effects do not, however, necessarily have to have a favorable impact on each other, for example, if the changes in the demand for residential real estate are overshadowed by macroeconomic developments.

Valuation parameters investment properties (Level 3)						
Management costs residential (€ per residential unit p.a.)	Maintenance costs total residential (€/m² p.a.)	Market rent residential (€/m² per month)	Market rent increase residential	Stabilized vacancy rate residential	Discount rate total	Capitalized interest rate total
258	14.10	7.79	1.8%	1.2%	4.3%	2.5%
278	14.14	9.10	1.8%	1.1%	4.9%	3.2%
275	13.78	8.00	1.7%	1.9%	5.1%	3.5%
272	12.69	6.76	1.5%	2.6%	5.1%	3.8%
243	14.19	6.74	1.7%	2.2%	5.2%	3.7%
263	14.37	8.22	1.6%	1.3%	4.7%	3.3%
266	14.03	11.22	1.9%	0.6%	4.6%	2.9%
276	14.48	9.07	1.8%	1.3%	5.0%	3.3%
263	14.58	7.22	1.7%	1.7%	5.3%	3.8%
264	14.08	7.29	1.7%	2.0%	5.0%	3.5%
273	13.24	6.26	1.2%	3.4%	5.5%	4.5%
268	13.21	6.74	1.8%	2.1%	5.1%	3.5%
258	14.78	6.52	1.8%	3.2%	5.1%	3.5%
268	13.20	6.95	1.5%	1.9%	5.1%	3.8%
274	15.05	8.21	1.7%	1.0%	4.6%	3.0%
273	14.09	7.39	1.6%	2.3%	5.2%	3.7%
266	**13.88**	**7.57**	**1.7%**	**1.9%**	**4.9%**	**3.4%**
269	14.56	7.34	1.7%	2.4%	5.2%	3.4%
266	**13.89**	**7.57**	**1.7%**	**1.9%**	**4.9%**	**3.4%**
n.a.	n.a.	9.76	2.0%	0.9%	5.7%	3.7%
n.a.	19.25	5.38	1.6%	1.6%	5.6%	n.a.

In addition, factors other than demand can have an impact on these parameters. Examples include changes in the portfolio, in seller and buyer behavior, political decisions and developments on the capital market.

The table below shows the percentage impact on values in the event of a change in the valuation parameters. The absolute impact on values is calculated by multiplying the percentage impact by the fair value of the investment properties.

	Change in value in % under varying parameters		
	Management costs residential	Maintenance costs residential	Cost increase/inflation
Regional market	-10%/10%	-10%/10%	-0.5%/+0.5% points
Dec. 31, 2020			
Berlin	0.6/-0.6	1.9/-1.9	7.2/-7.1
Rhine Main Area	0.4/-0.4	1.3/-1.3	3.2/-3.4
Rhineland	0.5/-0.5	1.6/-1.6	3.7/-3.8
Southern Ruhr Area	0.8/-0.8	2.1/-2.1	4.6/-4.7
Dresden	0.7/-0.7	2.1/-2.1	4.7/-4.8
Hamburg	0.5/-0.5	1.7/-1.7	4.0/-4.2
Munich	0.3/-0.3	1.1/-1.1	3.5/-3.6
Stuttgart	0.5/-0.5	1.5/-1.5	3.3/-3.5
Kiel	0.7/-0.7	2.1/-2.1	4.3/-4.4
Hanover	0.6/-0.6	1.9/-1.9	4.2/-4.3
Northern Ruhr Area	0.9/-0.9	2.6/-2.6	4.6/-4.7
Bremen	0.7/-0.7	2.0/-2.0	5.0/-5.1
Leipzig	0.7/-0.7	2.2/-2.2	5.0/-5.0
Westphalia	0.7/-0.7	2.1/-2.1	4.2/-4.3
Freiburg	0.5/-0.5	1.7/-1.7	4.0/-4.1
Other strategic locations	0.6/-0.6	1.9/-1.9	3.9/-4.0
Total strategic locations	0.6/-0.6	1.8/-1.8	4.6/-4.7
Non-strategic locations	0.7/-0.7	2.4/-2.3	6.5/-6.4
Vonovia Germany	**0.6/-0.6**	**1.8/-1.8**	**4.6/-4.7**
Vonovia Sweden*	n.a.	n.a.	1.4/-1.4
Vonovia Austria*	n.a.	0.3/-0.3	0.3/-0.4

* The valuation methods for the portfolio in Austria and Sweden use valuation parameters that are only partially comparable. Administrative and maintenance expenses are not shown separately.

Contractual Obligations

In connection with major acquisitions, Vonovia entered into contractual obligations or assumed such obligations indirectly via acquired companies, among other things in the form of Social Charters, which could limit its ability to freely sell parts of its portfolio, increase rents or terminate existing rent agreements for certain units and which, in the event of a breach, could give rise to substantial contractual penalties in some cases. Moreover, when acquiring and financing some of the properties in the portfolio, Vonovia also entered into an obligation to spend a certain average amount per square meter on maintenance and improvements.

After a certain period of time, these obligations often cease to apply either in full or in part. As of December 31, 2020, around 133,000 residential units in Vonovia's portfolio were subject to one or several contractual restrictions or other obligations.

> **Sale restrictions:** As of December 31, 2020, around 63,000 units were subject to sale restrictions (excl. occupancy rights). Around 18,000 of these units cannot be freely sold before a certain date. Sale restrictions like these include a full or partial ban on the sale of residential units and provisions requiring the consent of certain representatives of the original seller prior to sale.

Change in value in % under varying parameters			
Market rent residential	Market rent increase residential	Stabilized vacancy rate residential	Discounting and capitalized interest rates total
-2%/+2%	-0.2%/+0.2% points	-1%/+1% points	-0.25%/+0.25% points
-2.2/2.2	-10.1/13.1	1.5/-1.7	14.3/-11.1
-2.3/2.3	-7.4/8.7	1.0/-1.5	9.3/-7.8
-2.3/2.3	-7.1/8.3	1.6/-1.6	8.6/-7.4
-2.4/2.5	-7.2/8.4	1.9/-1.9	8.1/-7.0
-2.5/2.5	-7.4/8.5	1.8/-1.8	8.5/-7.3
-2.3/2.3	-7.7/9.1	1.2/-1.6	9.4/-7.9
-2.1/2.1	-8.2/9.8	0.7/-1.5	10.9/-8.9
-2.3/2.3	-7.3/8.6	1.3/-1.5	9.0/-7.6
-2.4/2.3	-7.1/8.2	1.8/-1.8	8.1/-7.0
-2.4/2.4	-7.2/8.4	1.7/-1.7	8.5/-7.2
-2.6/2.6	-6.3/7.1	2.0/-2.0	6.5/-5.8
-2.4/2.4	-7.7/9.0	1.8/-1.8	8.9/-7.6
-2.4/2.5	-7.4/8.6	1.8/-1.8	8.5/-7.2
-2.3/2.3	-6.8/7.8	1.7/-1.8	7.7/-6.7
-2.4/2.4	-8.0/9.4	1.2/-1.6	9.7/-8.1
-2.4/2.4	-6.9/7.9	1.6/-1.7	7.9/-6.8
-2.3/2.3	**-7.8/9.3**	**1.5/-1.7**	**9.6/-8.0**
-2.5/2.5	-8.5/10.2	1.9/-1.9	10.8/-9.0
-2.3/2.3	**-7.8/9.3**	**1.5/-1.7**	**9.6/-8.0**
-3.0/3.0	-1.3/1.3	0.8/-1.2	7.5/-6.5
-0.3/0.3	-0.9/1.0	0.9/-0.9	4.7/-4.3

> **Preemptive rights on preferential terms:** Around 6,000 units from the "Recurring Sales" subportfolio can only be sold if the tenants are offered preemptive rights on preferential terms. This means that Vonovia is obliged to offer these tenants the residential units at a price that is up to 15% below the price that could be achieved by selling the units in question to third parties.

> **Restrictions on the termination of rent agreements:** Around 95,000 residential units are affected by restrictions on the termination of rent agreements. These restrictions include notice to vacate for personal use and notice to vacate for appropriate commercial utilization. In some cases, units are covered by a lifelong ban on the termination of rent agreements.

> **Expenses for minimum maintenance and restrictions on maintenance and modernization measures:** Around 56,000 apartments are subject to minimum maintenance obligations. Because minimum maintenance obligations have been exceeded in recent years, the weighted average of the annual necessary spending on maintenance and modernization has changed to € 6.52 per m². Furthermore, around 49,000 units are affected by restrictions relating to modernization and maintenance measures, which are designed to prevent changes in socio-economic tenant composition (i.e., to limit luxury modernization). Some of the restrictions to prevent luxury modernization have been agreed on a permanent basis.

> **Restrictions on rent increases:** Restrictions on rent increases (including provisions stating that "luxury modernization" measures are subject to approval) affect around 42,000 units. These restrictions could prevent Vonovia from realizing the rent that could potentially be generated from the units in question.

In many cases, in the event that all or part of a portfolio is transferred or individual residential units are sold, the aforementioned obligations are to be assumed by the buyers, who are in turn subject to the obligation to pass them on to any future buyers.

Under structured financing programs, Vonovia is subject to fundamental restrictions on the use of excess property disposal proceeds, such restrictions being particularly in the form of mandatory minimum capital repayments. Excess cash from property management is also restricted to a certain extent.

All contractual obligations that have a material impact on the valuation were taken into account accordingly.

29 Financial Assets

	Dec. 31, 2019		Dec. 31, 2020	
in € million	non-current	current	non-current	current
Non-consolidated subsidiaries	2.0	–	1.5	–
Joint venture investments valued at equity	29.5	–	32.9	–
Other investments	140.2	–	309.7	–
Loans to other investments	33.3	–	33.3	–
Securities	4.4	–	4.9	–
Other non-current loans	11.7	–	11.3	–
Derivatives	110.6	0.7	22.4	0.4
	331.7	**0.7**	**416.0**	**0.4**

Accounting Policies

Financial assets are recognized in the balance sheet when Vonovia becomes a contracting party of the financial instrument. A financial asset is derecognized when the contractual rights to the cash flows from a financial asset expire, or the financial asset is transferred and Vonovia neither retains control nor retains material risks and rewards associated with ownership of the financial asset.

In accordance with IFRS 9, the **classification of financial assets** takes into account both the business model in which financial assets are held and the characteristics of the cash flows of the assets in question. These criteria determine whether the assets are measured at amortized cost using the effective interest method or at fair value.

With regard to the business model criterion, all financial investments at Vonovia are to be assigned to the "hold to collect" model pursuant to IFRS 9.4.1.2(a). Whenever financial investments are categorized as equity instruments, Vonovia has exercised the irrevocable option to state future changes to the fair value in other comprehensive income in equity. Gains and losses recognized in other comprehensive income are never reclassified from total equity to the income statement on their disposal.

The carrying amount of financial assets corresponds to maximum risk of loss as of the reporting date.

The € 160.2 million increase in other investments results from the acquisition of a 2.6% stake in the Vesteda Residential Fund FGR, Amsterdam, Netherlands.

The loans to other investments not yet due relate to a loan to the property fund DB Immobilienfonds 11 Spree-Schlange von Quistorp KG.

Non-current derivatives include positive market values from cross currency swaps in the amount of € 18.4 million (Dec. 31, 2019: € 29.1 million), together with positive market values in the amount of € 4.0 million (Dec. 31, 2019: € 81.5 million) from embedded derivatives and other interest rate derivatives. The decrease in the the reporting year results from the utilization of termination options in connection with refinancing measures relating to Hembla in the amount of € 75.5 million.

30 Other Assets

in € million	Dec. 31, 2019 non-current	Dec. 31, 2019 current	Dec. 31, 2020 non-current	Dec. 31, 2020 current
Right to reimbursement for transferred pensions	4.4	–	4.3	–
Receivables from insurance claims	0.8	14.9	0.8	17.8
Miscellaneous other assets	49.5	123.1	123.4	101.2
	54.7	**138.0**	**128.5**	**119.0**

The right to reimbursement for transferred pensions is in connection with the indirect obligation shown under provisions for pensions arising from pension obligations transferred to former affiliated companies of the Viterra Group.

The receivables from insurance claims include the recognition of the excess of the fair value of plan assets over the corresponding pre-retirement part-time work arrangement obligations amounting to € 0.8 million (Dec. 31, 2019: € 0.8 million).

The increase in non-current miscellaneous other assets is due primarily to payments made in advance for real estate assets.

31 Income Tax Receivables

The income tax receivables disclosed relate to corporate income tax and trade tax receivables for the current fiscal year and prior years as well as capital gains tax.

The decrease in the 2020 fiscal year mainly results from the reimbursement of tax prepayments and capital gains tax to be credited at Vonovia SE and its biggest domestic subsidiary, as well as at the largest Austrian tax group.

32 Inventories

Accounting Policies

Inventories are valued at cost or at their net realizable value, whichever is lower.

The raw materials and supplies recognized relate to repair materials for the internal craftsmen's organization.

33 Trade Receivables

The trade receivables break down as follows:

in € million	Impaired		Not impaired						Carrying amount
	Gross amount	Impairment losses	Neither impaired nor past due at the end of the reporting period	less than 30 days	between 30 and 90 days	between 91 and 180 days	between 181 and 360 days	more than 360 days	Corresponds to maximum risk of loss*
Receivables from the sale of investment properties	7.1	-5.6	20.7	11.0	18.3	3.3	5.7	4.8	65.3
Receivables from the sale of real estate properties	0.7	-0.2	24.5			0.9	1.6	0.6	28.1
Contract assets			119.2	0.6	0.8	0.3	0.6		121.5
Receivables from property letting	85.2	-47.2							38.0
Receivables from other management	0.1	-0.1	0.5	0.6					1.1
Receivables from other supplies and services	6.9	-2.1	9.9		0.2				14.9
As of Dec. 31, 2020	**100.0**	**-55.2**	**174.8**	**12.2**	**19.3**	**4.5**	**7.9**	**5.4**	**268.9**
Receivables from the sale of investment properties	6.2	-4.5	49.8	2.5	7.5	2.6	1.5	1.0	66.6
Receivables from the sale of real estate properties			26.2						26.2
Contract assets			57.8		0.0	1.4	0.2		59.4
Receivables from property letting	76.0	-34.3							41.7
Receivables from other management			2.3						2.3
Receivables from other supplies and services	11.0	-1.5	-						9.5
As of Dec. 31, 2019	**93.2**	**-40.3**	**136.1**	**2.5**	**7.5**	**4.0**	**1.7**	**1.0**	**205.7**

* The maximum default risk on the receivables from the sale of properties is limited to the margin and the transaction unwinding costs as the title to the properties remains with Vonovia as security until receipt of payment.

Accounting Policies

Impairment losses on financial assets are determined based on the expected credit loss model. The guiding principle of the model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments, taking losses that are already expected into account.

The IFRS 9 approach includes the following measurement levels:

> Level 1: Twelve-month expected credit losses (ECLs), which applies to all items (from initial recognition) as long as there is no significant deterioration in credit quality.
> Level 2: Lifetime ECLs (homogeneous debtor portfolios), which applies when a significant increase in credit risk has occurred on an individual or a collective basis of financial instruments.
> Level 3: Lifetime ECLs (based on an individual assessment): If an individual assessment of assets produces objective indications of a need for impairment, then an assessment of the entire maturity of the financial instrument is decisive.

The simplified impairment approach is used with regard to **trade receivables** (e.g., rent receivables, receivables from ancillary costs, receivables from the sale of properties) and for **contract assets** pursuant to IFRS 15. This means that there is no need to track the changes in credit risk. Instead, Vonovia has to set up loan loss provisions in the amount of the lifetime expected credit losses both at the time of initial recognition and on each following reporting date.

The carrying amounts of current trade receivables correspond to their fair values.

In principle, all impaired trade receivables are due and payable. As regards the trade receivables that are neither impaired nor past due, there was no indication on the reporting date that the debtors would not meet their payment obligations.

Receivables from the sale of properties arise on economic transfer of ownership. The due date of the receivable may, however, depend on the fulfillment of contractual obligations. Some purchase contracts provide for the purchase price to be deposited in an escrow account. Impairment losses for doubtful debts are recorded up to the amount of the posted proceeds from sales.

Vonovia's receivables from property letting generally arise at the beginning of the month, are of a short-term nature and result from claims in relation to tenants relating to operating business activities. Due to the (subsequent) measurement at amortized cost, an impairment test has to be performed. The receivables fall under the scope of the calculation of expected credit losses.

In accordance with the general provisions set out in IFRS 9, expected credit losses are to be recognized using the simplified approach for current trade receivables without any significant financing component.

Irrespective of their term, Vonovia initially assigns receivables to level 2 of the impairment model. In the further course, they need to be moved to level 3 of the impairment model if there is objective evidence of impairment. The transfer from level 2 to level 3 is to be made at the latest when the contractual payments have been overdue for more than 90 days. This assumption can, however, be refuted in individual cases if there are no other objective indications pointing towards a default. Receivables always have to be transferred to the next level if a legally enforceable instrument has been obtained against the tenant as part of a dunning procedure. If the objective evidence of impairment ceases to apply, the receivable is transferred (back) to level 2 of the impairment model.

If Vonovia becomes aware of any major changes in market conditions and/or a debtor's circumstances, it reevaluates the expected credit losses without delay. This procedure ensures that receivables are transferred to the right level in the impairment model as soon as possible.

Vonovia uses a credit loss matrix when calculating expected credit losses for trade receivables. The matrix is based on historical default rates and takes current expectations into account, including macroeconomic indicators (e.g., GDP). The matrix can be used to calculate the expected credit losses for various homogeneous portfolios. For the 2020 fiscal year, the change in GDP was only included as an indicator for further analysis of the change in the expected credit loss. In the resulting review of current historical default rates towards the end of the 2020 fiscal year, however, no impact from the significant change in GDP relative to the reduction in credit quality was identified. Neither defaults nor individual impairment losses increased towards the end of the fiscal year. In contrast, it can be assumed that the credit risk of debtors did not increase significantly during the pandemic, taking into account numerous government measures. The particular characteristics of the business model and the resulting debtors, as well as government support of the overall economy, have uniquely meant that in this pandemic, GDP is not a good indicator of the future development of expected credit losses. In principle, the correlation is still considered to be reliable.

In order to create portfolios for the purpose of assessing the probability of default, the individual clusters of receivables need to have homogeneous credit risk characteristics. As far as receivables from its operating business activities are concerned, i.e., the rental of residential properties, Vonovia makes a distinction between receivables from existing tenants and receivables from former tenants. Both portfolios include current receivables that are exposed to a low level of volatility, as the company's core operating business is hardly exposed to any major fluctuations. Main effects on receivables in the past are attributable to corporate takeovers by Vonovia.

Calculation Method for Receivables from Former Tenants

The calculation of the probability of default is based on the results of an analysis of the historical probability of default. Cash flows relating to outstanding receivables over the last three years have been analyzed and an average amount of incoming payments for the year in question was calculated on a monthly basis. The average monthly incoming payments were compared against the average monthly receivables for the year in question. Ultimately, Vonovia has been able to collect approx. 4.5% of the average receivables over the last three years. This means that Vonovia sets up risk provisions corresponding to a rounded total of 95% for its receivables from former tenants.

The loss given default comprises the following:

The receivables of former tenants that are being analyzed (amount of the receivable at the time of default) are corrected to reflect retained deposits that serve as security for Vonovia. This is already taken into account as part of the calculation method used for the probability of default.

The average receivables taken as a basis do not include receivables subject to specific valuation allowances that were written off in full.

Receivables from Existing Tenants

When it comes to determining the probability of default with regard to receivables associated with ongoing lease agreements, Vonovia analyzes those receivables that have actually been derecognized over the last three years.

This is performed systematically by way of a receivables management system according to the aspects receivables relating to ancillary expenses, product-related aspects, and rent adjustments and payment difficulties.

Impairment losses on trade receivables developed as follows:

in € million	
Impairment losses as of Jan. 1, 2020	40.3
Addition	40.7
Addition due to business combinations	0.2
Utilization	-25.3
Reversal	-0.7
Impairment losses as of Dec. 31, 2020	**55.2**
Impairment losses as of Jan. 1, 2019	39.5
Addition	30.5
Addition due to business combinations	1.5
Utilization	-29.3
Reversal	-1.9
Impairment losses as of Dec. 31, 2019	**40.3**

Within the impairment losses on receivables from property letting, the risk provisions are generally taken into account as follows: For existing tenants, a risk provision corresponding to between 18% and 40% of the receivables, in a total amount of € 9.6 million (Dec. 31, 2019: € 7.8 million), was set up depending on the term. In cases involving payment difficulties, the provision corresponded to between 40% and 95% of the receivables and amounted to € 10.4 million in total (Dec. 31, 2019: € 4.9 million). The risk provisions for former tenants correspond to 95% of the receivables and amount to € 17.5 million in total (Dec. 31, 2019: € 17.2 million).

For contracts with customers who are assigned to Vonovia's development business, the payment terms pursuant to Section 3 (2) of the Real Estate Agent and Commercial Contractor Regulation (MaBV) generally apply in Germany. Customers also have a contractual obligation to present a financing commitment issued by a credit institution for the entire purchase price. Otherwise, Vonovia is entitled to withdraw from the agreement. In Austria, the installment plan pursuant to Section 10 (2) of the Austrian Property Development Contract Act (BTVG) is normally applied, with customers obliged to pay the entire purchase price into an escrow account. Due to the structure of the standard payment terms in the development business, no separate impairment losses are taken into account on corresponding receivables from customer contracts.

For example, receivables are derecognized if tenants die and have no heirs, if they move to an unknown location or move abroad, if execution is impossible for the court bailiff, in cases involving bankruptcy or if a settlement was reached.

The following table shows the expenses for the full derecognition of receivables, as well as income from the receipt of derecognized receivables:

in € million	2019	2020
Expenses for the derecognition of receivables	1.9	3.7
Income from the receipt of derecognized receivables	7.1	3.7

34 Cash and Cash Equivalents

Accounting Policies

Cash and cash equivalents include cash on hand, checks and deposits at banking institutions as well as marketable securities with an original term of up to three months.

Cash and cash equivalents are measured using the general impairment approach in accordance with IFRS 9.

Cash and cash equivalents include cash on hand, checks and deposits at banking institutions totaling € 613.3 million (Dec. 31, 2019: € 500.7 million).

Bank balances in the amount of € 159.9 million (Dec. 31, 2019: € 97.3 million) are restricted with regard to their use.

35 Real Estate Inventories

Accounting Policies

The **development business related to the acquisition** refers to subsidized or independently financed condominiums that are under construction or have already been completed. These properties are not held with the aim of generating rental income or achieving increases in value within the meaning of IAS 40, but rather are developed and constructed to be sold at a later date.

These development projects are recognized depending on whether there is a customer contract for the residential units that are intended for sale. If this is not the case, a valuation in accordance with IAS 2 at the lower of amortized cost and net realizable value is performed due to the intention to sell, with a corresponding disclosure under real estate inventories.

Recognized real estate inventories in the amount of € 570.4 million (Dec. 31, 2019: € 358.3 million) mainly concern development projects. These are projects to construct residential units planned for sale that are currently being built or that have been completed but have not yet been sold. The item also includes undeveloped land that will be used for future project developments.

36 Assets Held for Sale

Accounting Policies

To be classified as **held for sale**, the **assets** must be available for immediate sale in their present condition subject only to terms that are usual and customary for sales of such assets, and it must be highly probable that a sale will take place. A sale is deemed to be highly probable if there is a commitment to a plan to sell the asset, an active program to locate a buyer and complete the plan has been initiated, the asset is being actively marketed for sale at a reasonable price, and a sale is expected to be completed within one year of the date on which the asset is classified as held for sale.

Vonovia accounts for investment properties as assets held for sale when notarized purchase contracts have been signed or a declaration of intent to purchase has been signed by both parties as of the reporting date but transfer of title will, under the contract, not take place until the subsequent reporting period. Initially they are recognized at the contractually agreed selling price and subsequently at fair value following deductions for costs to sell, if the latter is lower.

The assets held for sale include properties totaling € 164.9 million (Dec. 31, 2019: € 134.1 million) for which notarized purchase contracts had already been signed as of the reporting date.

Section (E): Capital Structure

37 Total Equity

Accounting Policies

Other comprehensive income includes changes in total comprehensive income not affecting net income except that resulting from capital transactions with equity holders (e.g., capital increases or dividend distributions). Vonovia includes under this item unrealized gains and losses from the fair value measurement of equity instruments and derivative financial instruments that are designated as cash flow hedges. The item also includes actuarial gains and losses from defined benefit pension commitments as well as certain currency translation differences.

The **other reserves** contain cumulative changes in equity not affecting income. At Vonovia, the effective portion of the net change in the fair value of cash flow hedging instruments, the equity instruments at fair value as well as currency translation differences are recognized in other comprehensive income.

The other reserves from cash flow hedges and from currency translation differences can be reclassified. When the underlying hedged item of the cash flow hedge affects net income, the reserves attributable thereto are reclassified to profit or loss. If a foreign business is disposed of, the reserves attributable thereto are reclassified.

Development of the Subscribed Capital

in €	
As of Jan. 1, 2020	**542,273,611.00**
Capital increase against non-cash contributions on July 30, 2020 (scrip dividend)	6,613,688.00
Capital increase against cash contributions on September 8, 2020	17,000,000.00
As of Dec. 31, 2020	**565,887,299.00**

Development of the Capital Reserves

in €	
As of Jan. 1, 2020	**8,239,693,576.98**
Premium from capital increase for scrip dividend on July 30, 2020	340,194,883.34
Premium from capital increase on September 8, 2020	986,000,000.00
Transaction costs on the issue of new shares (after allowing for deferred taxes)	-6,017,445.75
Withdrawal from capital reserve	-522,170,759.99
Other changes not affecting net income	161,106.75
As of Dec. 31, 2020	**9,037,861,361.33**

Cash Capital Increase

On September 3, 2020, with the agreement of the Supervisory Board's Finance Committee, Vonovia SE increased the share capital in return for a cash contribution, partially using the 2018 authorized capital and excluding a subscription right, by € 17,00,000.00 from € 548,887,299.00 to € 565,887,299.00. The increase was entered in the commercial register on September 8, 2020.

The 17,000,000 new no-par-value registered shares were placed with institutional investors in the scope of a private placement by means of an accelerated book building procedure and carry dividend rights as of January 1, 2020.

The shares were granted at a placement price of € 59.00 per share, delivering issue proceeds to Vonovia SE in the amount of € 1,003.0 million before commission and expenses. The proceeds from this capital increase were used to repay debt due in the fourth quarter of 2020. The additional proceeds from the issue are to be used for future growth opportunities that arise in the current environment and which Vonovia intends to pursue in line with its investment criteria.

Dividend

The Annual General Meeting held on June 30, 2020, resolved to pay a dividend for the 2019 fiscal year in the amount of € 1.57 per share, and € 851.4 million in total.

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 40.7% of the shares carrying dividend rights opted for the scrip dividend as opposed to the cash dividend. As a result, 6,613,688 new shares were issued using the company's authorized capital pursuant to Section 5b of the Articles of Association ("2018 authorized capital") at a subscription price of € 52.438, i.e., a total amount of € 346,808,571.34. The total amount of the dividend distributed in cash therefore came to € 504,560,997.93.

Authorized Capital

After being used in connection with the two capital increases in 2020, the 2018 authorized capital fell by € 23,613,688.00 from € 218,354,736.00 to € 194,741,048.00 as of December 31, 2020. Shareholder subscription rights for the 2018 authorized capital can be excluded.

Retained Earnings

As of December 31, 2020, retained earnings of € 13,368.2 million (Dec. 31, 2019: € 10,534.4 million) were reported. This figure includes actuarial gains and losses of € -117.2 million (Dec. 31, 2019: € -104.6 million), which cannot be reclassified and therefore may no longer be recognized in profit or loss in subsequent reporting periods. The changes not affecting net income in the amount of € -52.8 million (2019: € -42.3 million) mainly include additional purchases of shares in Hembla, which are not classified as a linked transaction, and the allocation of guaranteed dividends.

Other Reserves

Changes in other comprehensive income during the period in the amount of € 153.9 million (2019: € 38.1 million) are mainly the result of currency translation differences due to changes in the exchange rate for the Swedish krona against the euro.

Equity Attributable to Hybrid Capital Investors

In December 2014, Vonovia issued a hybrid bond with a nominal volume of € 1.0 billion via a subsidiary, Vonovia Finance B.V., Amsterdam/Netherlands (issuer). This subordinated hybrid bond is of unlimited duration and can only be terminated by Vonovia on certain contractually fixed dates or occasions.

Up until the first termination date in December 2021, the hybrid bond shall bear interest at a rate of 4.0% p.a. If the bond is not terminated, then the coupon for the next five-year period increases automatically (step-up clause). The bond terms and conditions do not provide for any unconditional legal obligations to pay interest. Interest that is not paid out is carried forward to the new account and accumulated. If a resolution is passed on a dividend, or if a voluntary payment is made in connection with comparable subordinated bonds, then this triggers an interest payment obligation for this bond.

Pursuant to IAS 32, the hybrid bond is to be classified as equity in full. The interest payments to be made to the bondholders are recognized directly in equity.

Non-Controlling Interests

Shares of third parties in Group companies are recognized under non-controlling interests.

As part of the ongoing review and restructuring of relationships with minority shareholders, these contractual relationships are being reviewed and will be renegotiated on a case-by-case basis.

Due to the reassessment of some of these relationships and the put options established in the contracts, an amount of € 147.0 million was reclassified from "Non-controlling interests" within equity to "Purchase price liabilities from put options/rights to reimbursement" within current "Derivatives" in the fiscal year. As a result of further share acquisitions in Hembla during the year, non-controlling interests decreased by a further € 54.1 million.

38 Provisions

	Dec. 31, 2019		Dec. 31, 2020	
in € million	non-current	current	non-current	current
Provisions for pensions and similar obligations	**569.9**	**–**	**627.8**	**–**
Provisions for taxes (current income taxes excl. deferred taxes)	**–**	**211.1**	**–**	**124.2**
Other provisions				
Environmental remediation	13.0	–	11.5	–
Personnel obligations	61.7	71.8	52.3	56.3
Outstanding trade invoices	–	109.8	–	93.4
Miscellaneous other provisions	17.8	137.5	19.7	115.1
Total other provisions	**92.5**	**319.1**	**83.5**	**264.8**
Total provisions	**662.4**	**530.2**	**711.3**	**389.0**

Provisions for Pensions and Similar Obligations

Accounting Policies

When valuing the **provisions for pensions**, the company pension obligations are determined using the projected unit credit method pursuant to IAS 19 "Employee Benefits," whereby current pensions and vested pension rights as of the reporting date as well as expected future increases in salaries and pensions, are included in the valuation. An actuarial valuation is performed at every reporting date.

The amount shown in the balance sheet is the total present value of the defined benefit obligations (DBO) after offsetting against the fair value of plan assets.

Actuarial gains and losses are accounted for in full in the period in which they occur and recognized in retained earnings as a component of other comprehensive income and not in profit or loss. The actuarial gains and losses are also no longer recognized with effect on net income in subsequent periods.

Service cost is shown in personnel expenses. The service cost is the increase in the present value of a defined benefit obligation resulting from employee service in the reporting period.

The interest expense is recognized in the financial result. Interest expense is the increase during a period in the present value of a defined benefit obligation that generally arises due to the fact that the benefit obligation is one period closer to being discharged.

Reinsurance contracts that qualify as plan assets have been taken out to cover the pension obligations toward particular individuals. Where the value of those reinsurance contracts exceeds the related pension obligations, the excess is recognized as an asset and shown under other assets.

Obligations from joint defined benefit multi-employer plans at Versorgungsanstalt des Bundes und der Länder (VBL), a pension scheme operated by the German federal government and the German states, are stated, in line with IAS 19.34, in the same way as obligations from defined contribution plans, insofar as the information required for the statement of defined benefit plans is not available. The obligations are based on the amounts to be paid for the current period.

Vonovia has pension obligations towards various employees which are based on the length of service. Defined benefit and defined contribution obligations – for which Vonovia guarantees a certain level of benefit – are financed through provisions for pensions. Vonovia has taken out reinsurance contracts for individual people.

Generally, they are pension benefits that depend on the final salary with percentage increases depending on the number of years of service.

The pension commitments cover 4,523 (Dec. 31, 2019: 3,866) eligible persons. The increase is due primarily to the fact that eligible persons for whom a final agreement on the reimbursement model was reached with the pension provider were included in the measurement of pensions for the first time.

Executives currently working for companies belonging to Vonovia have the opportunity to participate in the "Pension Instead of Cash Remuneration" model (Versorgungsbezüge anstelle von Barbezügen) in the version dated October 2003 (eligible persons: 307). Retirement, invalidity and surviving dependent benefits in the form of a lifelong pension are offered under this deferred compensation model. The retirement benefits can also be paid out as a one-time capital sum.

Overview of the most important basic data for existing pension plans (all of which have already been closed):

	VO 1/VO 2 Veba Immobilien	VO 60/VO 91 Eisenbahnges.	Bochumer Verband
Type of benefits	Retirement, invalidity and surviving dependent benefits	Retirement, invalidity and surviving dependent benefits	Retirement, invalidity and surviving dependent benefits
Pensionable remuneration	Final salary	Final salary	Not applicable
Max. pension level	Yes	Yes	Depends on individual grouping
Total pension model based on final salary	Yes	No	No
Net benefit limit incl. state pension	None	Yes	None
Gross benefit limit	Yes	None	None
Adjustment of pensions	Section 16, (1,2) BetrAVG	Section 16, (1,2) BetrAVG	Adjustment every 3 years by Bochumer Verband (Management Board resolution)
Supplementary periods	Age of 55	Age of 55	Age of 55 (half)
Legal basis	Works agreement	Works agreement	Commitment to executives in individual contracts
Number of eligible persons	378	662	398

	VO 1991/VO 2002 Gagfah	VO guideline Gagfah M	VO 2017 VBL-Ersatzversorgung
Type of benefits	Retirement, invalidity and surviving dependent benefits	Retirement, invalidity and surviving dependent benefits	Retirement, invalidity and surviving dependent benefits
Pensionable remuneration	Salary September of each year	Final salary	Salary of each year
Max. pension level	Module p.a.	Yes	Module p.a.
Total pension model based on final salary	No	Yes	No
Net benefit limit incl. state pension	None	None	None
Gross benefit limit	None	Yes	None
Adjustment of pensions	1 % p.a.	Section 16, (1,2) BetrAVG	1 % p.a.
Supplementary periods	Age of 55	Age of 55	None
Legal basis	Works agreement	Works agreement	Individual agreement
Number of eligible persons	1,110	393	107

The current pensions according to the classic pension benefit regulations of Bochumer Verband are adjusted in line with Section 20 of those regulations. Section 20 is a rule which is based on Section 16 (1,2) of the German Occupational Pensions Improvement Act (BetrAVG) but which, according to a ruling of the Federal Labor Court of Germany, is an independent rule. Other company pensions are reviewed and adjusted under the terms of the agreement according to Section 16 (1,2) BetrAVG. On every review date, the development of the cost of living since the individual retirement date is reviewed and compensated for. Only in the aforementioned deferred compensation model is the option, available since January 1, 1999, used to raise the current pensions every year by 1% (Section 16 (3) No. 1 BetrAVG). No further risks are seen.

The company has decided to use the internal financing effect of the provisions for pensions and only to back a relatively small portion of the pension obligations with plan assets. Reinsurance policies have been taken out for former Management Board members against payment of a one-time insurance premium in order to provide additional protection against insolvency; these reinsurance policies were pledged to the eligible persons. They constitute plan assets, which are offset against the gross obligation. The fair value of the reinsurance policies for individual persons is higher than the extent of the obligations towards the respective person. This surplus of the fair values of the assets over the obligation is shown under non-current other assets. The conclusion of further reinsurance policies is not planned.

Pension plan obligations and the expenses necessary to cover these obligations are determined using the projected unit credit method prescribed by IAS 19. Both pensions known on the reporting date and vested rights as well as expected future increases in salaries and pensions are included in the measurement. The following actuarial assumptions were in each case made related to the end of the year and with economic effect for the following year.

Actuarial Assumptions

in %	Dec. 31, 2019	Dec. 31, 2020
Actuarial interest rate	1.00	0.70
Pension trend	1.75	1.75
Salary trend	2.75	2.50

Due to a change at Bloomberg, the Bloomberg Barclays Classification System ("BCLASS"), rather than the Bloomberg Industry Classification System ("BICS"), will be used in the future as the basis for determining the portfolio of high-quality corporate bonds of the RATE:Link method of Willis Towers Watson that is relevant for the determination of interest rates. As a result of the refinement in the interest rate method, the actuarial interest rate as of December 31, 2020, has increased by around 30 basis points, reducing the defined benefit obligation (DBO) by € 32.0 million.

The 2018 G mortality tables of Prof. Dr. Klaus Heubeck have been taken for the biometric assumptions without any changes.

The defined benefit obligation (DBO) developed as follows:

in € million	2019	2020
DBO as of Jan. 1	541.8	591.0
Interest expense	9.0	5.8
Current service cost	10.9	12.2
Actuarial gains and losses:		
Changes in the biometric assumptions	-5.1	-8.4
Changes in the financial assumptions	59.3	27.4
Transfer	–	44.9
Benefits paid	-24.9	-24.8
DBO as of Dec. 31	**591.0**	**648.1**

The transfer is due to the final agreement on the reimbursement model reached with a pension provider.

The present value of the pension obligation is divided among the groups of eligible persons as follows:

in € million	Dec. 31, 2019	Dec. 31, 2020
Active employees	128.1	140.0
Former employees with vested pension rights	114.9	134.4
Pensioners	348.0	373.7
DBO as of Dec. 31	**591.0**	**648.1**

Plan assets comprise solely reinsurance contracts. The fair value of the plan assets has developed as follows:

in € million	2019	2020
Fair value of plan assets as of Jan. 1	22.3	21.8
Return calculated using the actuarial interest rate	0.4	0.2
Actuarial gains:		
Changes in the financial assumptions	0.5	0.4
Benefits paid	-1.4	-1.2
Fair value of plan assets as of Dec. 31	**21.8**	**21.2**

The actual return on plan assets amounted to € 0.6 million during the fiscal year (2019: € 0.8 million).

The following table shows a reconciliation of the defined benefit obligation to the pension obligation recognized in the balance sheet:

in € million	Dec. 31, 2019	Dec. 31, 2020
Present value of funded obligations	39.6	31.2
Present value of unfunded obligations	551.3	616.9
Total present value of defined benefit obligations	590.9	648.1
Fair value of plan assets	-21.8	-21.1
Net liability recognized in the balance sheet	569.1	627.0
Other assets to be recognized	0.8	0.8
Provisions for pensions recognized in the balance sheet	**569.9**	**627.8**

In 2020, actuarial losses of € 18.6 million (excluding deferred taxes) were recognized in other comprehensive income (2019: € 53.7 million).

The weighted average term of the defined benefit obligations is 16.1 years (Dec. 31, 2019: 15.8 years).

The following table contains the estimated, undiscounted pension payments of the coming five fiscal years and the total of those in the subsequent five fiscal years:

in € million	Projected pension payments
2021	27.3
2022	26.5
2023	26.1
2024	26.0
2025	26.2
2026–2030	127.1

Sensitivity Analyses

An increase or decrease in the material actuarial assumptions would have led to the following defined benefit obligation as of December 31, 2020, providing the other assumptions did not change:

in € million		DBO
Actuarial interest rate	Increase by 0.5%	599.5
	Decrease by 0.5%	703.5
Pension trend	Increase by 0.25%	660.7
	Decrease by 0.25%	635.2

An increase in life expectancy of 4.9% would have resulted in an increase in the DBO of € 31.0 million as of December 31, 2020. This percentage rise corresponds to a one-year increase in the life expectancy of a man who was 65 at the reporting date.

If several assumptions are changed simultaneously, the cumulative effect is not necessarily the same as if there had been a change in just one of the assumptions.

The provisions for pensions include € 4.3 million (Dec. 31, 2019: € 4.4 million) for pension obligations which were transferred to third parties as part of an assumption of debt and which relate to vested rights and the payment of current pensions. A corresponding non-current receivable is shown under miscellaneous other assets.

Other Provisions

Accounting Policies

Other provisions are recognized when there is a present obligation, either legal or constructive, vis-à-vis third parties as a result of a past event if it is probable that a claim will be asserted and the probable amount of the required provision can be reliably estimated. Provisions are discounted if the resulting effect is material. The carrying amount of discounted provisions increases in each period to reflect the passage of time and the unwinding of the discount is recognized within interest expense. The discount rate is a pre-tax rate that reflects current market assessments.

Provisions for restructuring expenses are recognized when the Group has set up and communicated a detailed formal plan for restructuring and has no realistic possibility of withdrawing from these obligations.

Provisions for onerous contracts are recognized when the expected benefits from a contract are lower than the unavoidable cost of meeting the obligations under the contract. The provision is stated at the lower of the present value of the fulfillment obligation and the cost of terminating the contract, i.e., a possible indemnity or fine for breach or non-fulfillment of contract.

Provisions are reviewed regularly and adjusted to reflect new information or changed circumstances.

The **provisions for pre-retirement part-time work arrangements** are basically to be classified as other long-term employee benefits that are to be accrued over the employees' service periods.

The assets of the insolvency policy to secure fulfillment shortfalls arising from pre-retirement part-time work arrangements are offset against the amounts for fulfillment shortfalls contained in the provisions for pre-retirement part-time work arrangements.

A **contingent liability** is a possible obligation toward third parties that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events or a present obligation that arises from past events for which an outflow of resources is not probable or the amount of which cannot be estimated with sufficient reliability. According to IAS 37, contingent liabilities are generally not recognized.

Development of Other Provisions during the Fiscal Year

in € million	As of Jan. 1, 2020	Additions due to changes in scope of consolidation	Additions	Reversals	Interest accretion to provisions	Netting plan assets	Utilization	As of Dec. 31, 2020
Other provisions								
Environmental remediation	13.0	–	–	–	0.2	–	-1.7	11.5
Personnel obligations	133.5	0.1	55.8	-5.1	0.1	–	-75.8	108.6
Outstanding trade invoices	109.8	2.8	97.2	-13.6	–	–	-102.8	93.4
Miscellaneous other provisions	155.3	13.9	45.5	-17.2	0.4	–	-63.1	134.8
	411.6	**16.8**	**198.5**	**-35.9**	**0.7**	**–**	**-243.4**	**348.3**

Development of Other Provisions during the Previous Year

in € million	As of Jan. 1, 2019	Additions due to changes in scope of consolidation	Additions	Reversals	Interest accretion to provisions	Netting plan assets	Utilization	As of Dec. 31, 2019
Other provisions								
Environmental remediation	15.0	–	–	-0.2	0.2	–	-2.0	13.0
Personnel obligations	126.8	–	70.3	-5.2	0.3	–	-58.7	133.5
Outstanding trade invoices	61.7	–	131.1	-8.0	–	–	-75.0	109.8
Miscellaneous other provisions	162.8	0.3	52.0	-12.3	0.8	–	-48.3	155.3
	366.3	**0.3**	**253.4**	**-25.7**	**1.3**	**–**	**-184.0**	**411.6**

Reversals of provisions are generally offset against the expense items for which they were originally established.

The provisions for environmental remediation primarily refer to site remediation of locations of the former Raab Karcher companies. Remediation has either already begun or an agreement has been reached with the authorities as to how the damage is to be remedied. The cost estimates are based on expert opinions detailing the anticipated duration of the remediation work and the anticipated cost.

The personnel obligations are provisions for pre-retirement part-time work arrangements, provisions for bonuses, severance payments not relating to restructuring and other personnel expenses. The other personnel expenses include a provision for the long-term incentive plan (LTIP) determined in accordance with IFRS 2 of € 30.0 million (Dec. 31, 2019: € 23.7 million) (see chapter [E47] Share-Based Payments).

The cost items under miscellaneous other provisions include as material individual costs legal disputes in the amount of € 23.6 million (2019: € 14.1 million), litigation costs in the amount of € 10.7 million (2019: € 11.7 million), costs associated with company audits in the amount of € 6.0 million (2019: € 0.1 million), onerous contracts in the amount of € 2.1 million (2019: € 2.3 million) and, in the previous year, € 0.1 million costs in connection with tax returns.

The Group expects to settle most of the provision in the coming year.

39 Trade Payables

in € million	Dec. 31, 2019 non-current	Dec. 31, 2019 current	Dec. 31, 2020 non-current	Dec. 31, 2020 current
Liabilities				
from property letting	–	73.8	–	85.0
from other supplies and services	5.1	145.3	5.0	144.5
	5.1	**219.1**	**5.0**	**229.5**

40 Non-derivative Financial Liabilities

in € million	Dec. 31, 2019 non-current	Dec. 31, 2019 current	Dec. 31, 2020 non-current	Dec. 31, 2020 current
Non-derivative financial liabilities				
Liabilities to banks	6,853.9	549.1	6,375.2	533.8
Liabilities to other creditors	14,344.1	1,727.6	15,999.9	1,060.7
Deferred interest from non-derivative financial liabilities	–	100.2	–	115.1
	21,198.0	**2,376.9**	**22,375.1**	**1,709.6**

Accounting Policies

Vonovia recognizes **non-derivative financial liabilities**, which mainly include liabilities to banks and to investors, at their fair value on the day of trading, less the directly attributable transaction costs (this generally corresponds to the acquisition cost). These liabilities are subsequently measured at amortized cost using the effective interest method. Financial liabilities are derecognized when Vonovia's obligations specified in the contract are expired or settled or canceled.

Liabilities bearing no interest or interest below market rates in return for occupancy rights at rents below the prevailing market rates are recorded at present value.

Deferred interest is presented as current in order to show the cash effectiveness of the interest payments transparently. In principle, the deferred interest is part of the non-derivative financial liability. Of the deferred interest from non-derivative financial liabilities, € 109.8 million (Dec. 31, 2019: € 89.7 million) is from bonds reported under non-derivative financial liabilities to other creditors.

The non-derivative financial liabilities developed as follows in the fiscal year under review:

in € million	As of Jan. 1, 2020	First-time consoli-dation	New loans	Scheduled repayments	Unschedu-led repay-ments	Adjusted for effecti-ve interest method	Other adjust-ments	Exchange rate diffe-rences	As of Dec. 31, 2020
Bond (USD)	219.4					-17.4			202.0
Bond (EMTN)	13,545.9		2,700.0	-1,052.3		-7.1			15,186.5
Commercial paper	300.0			-300.0					0.0
Promissory note loan	49.9								49.9
Mortgages	9,359.5	97.9	1,476.6	-874.2	-1,498.2	-125.7		95.3	8,531.2
Deferred interest	100.2						14.9		115.1
	23,574.9	**97.9**	**4,176.6**	**-2,226.5**	**-1,498.2**	**-150.2**	**14.9**	**95.3**	**24,084.7**

The non-derivative financial liabilities developed as follows in the previous year:

in € million	As of Jan. 1, 2019	First-time consoli-dation	New loans	Scheduled repay-ments	Unschedu-led repay-ments	Adjusted for effecti-ve interest method	Other adjust-ments	Exchange rate diffe-rences	As of Dec. 31, 2019
Bond	599.6			-600.0		0.4			0.0
Bonds (Sweden)	62.4			-56.9		-3.9		-1.6	0.0
Bonds (USD)	215.1					4.3			219.4
Bonds (EMTN)	11,760.3		3,000.0	-500.0	-697.7	-16.7			13,545.9
Bond (Hybrid)	699.2			-700.0		0.8			0.0
Commercial paper	420.0		300.0	-420.0					300.0
Promissory note loan			50.0			-0.1			49.9
Mortgages	6,259.5	1,765.4	1,983.2	-288.6	-363.4	-12.3	0.6	15.1	9,359.5
Deferred interest	119.9						-19.7		100.2
	20,136.0	**1,765.4**	**5,333.2**	**-2,565.5**	**-1,061.1**	**-27.5**	**-19.1**	**13.5**	**23,574.9**

The U.S. dollar bond issued in 2013 is translated at the exchange rate at the end of the reporting period in line with applicable IFRS provisions. Allowing for the hedging rate prescribed through the interest hedging transaction entered into, this financial liability would be € 18.9 million lower than the recognized value (Dec. 31, 2019: € 37.8 million).

The maturities and average interest rates of the nominal obligations of the liabilities to banks and the liabilities to other creditors are as follows during the fiscal year:

in € million	Nominal obligation Dec. 31, 2020	Maturity	Average interest rate	Repayment of the nominal obligations is as follows: 2021	2022	2023	2024	2025	from 2026
Bond (USD)*	185.0	2023	4.58%			185.0			
Bond (EMTN)*	500.0	2021	3.63%	500.0					
Bond (EMTN)*	500.0	2022	2.13%		500.0				
Bond (EMTN)*	500.0	2025	1.50%					500.0	
Bond (EMTN)*	1,000.0	2023	2.25%			1,000.0			
Bond (EMTN)*	500.0	2022	0.88%		500.0				
Bond (EMTN)*	500.0	2026	1.50%						500.0
Bond (EMTN)*	1,000.0	2024	1.25%				1,000.0		
Bond (EMTN)*	500.0	2022	0.75%		500.0				
Bond (EMTN)*	500.0	2027	1.75%						500.0
Bond (EMTN)*	500.0	2025	1.13%					500.0	
Bond (EMTN)*	500.0	2024	0.75%				500.0		
Bond (EMTN)*	500.0	2028	1.50%						500.0
Bond (EMTN)*	600.0	2022	0.79%		600.0				
Bond (EMTN)*	700.0	2026	1.50%						700.0
Bond (EMTN)*	500.0	2030	2.13%						500.0
Bond (EMTN)*	500.0	2038	2.75%						500.0
Bond (EMTN)*	500.0	2023	0.88%			500.0			
Bond (EMTN)*	500.0	2025	1.80%					500.0	
Bond (EMTN)*	500.0	2029	0.50%						500.0
Bond (EMTN)*	500.0	2034	1.13%						500.0
Bond (EMTN)*	500.0	2023	0.13%			500.0			
Bond (EMTN)*	500.0	2027	0.63%						500.0
Bond (EMTN)*	500.0	2039	1.63%						500.0
Bond (EMTN)*	500.0	2024	1.63%				500.0		
Bond (EMTN)*	500.0	2030	2.25%						500.0
Bond (EMTN)*	750.0	2026	0.63%						750.0
Bond (EMTN)*	750.0	2030	1.00%						750.0
Promissory note loan*	50.0	2026	0.29%						50.0
Mortgages**	8,516.6	2029	1.33%	1,095.3	482.5	876.8	943.1	745.1	4,373.8
	24,051.6			**1,595.3**	**2,582.5**	**3,061.8**	**2,943.1**	**2,245.1**	**11,623.8**

* Under the conditions of existing loan agreements, Vonovia is obliged to fulfill certain financial covenants, which it fulfilled.
** For a portion of the mortgages, Vonovia is obliged to fulfill certain financial covenants, which it fulfilled.

In the previous year, the maturities and average interest rates of the nominal obligations were as follows:

in € million	Nominal obligation Dec. 31, 2019	Maturity	Average interest rate	Repayment of the nominal obligations is as follows: 2020	2021	2022	2023	2024	from 2025
Bond (USD)*	185.0	2023	4.58%				185.0		
Bond (EMTN)*	500.0	2021	3.63%		500.0				
Bond (EMTN)*	500.0	2022	2.13%			500.0			
Bond (EMTN)*	300.6	2020	0.88%	300.6					
Bond (EMTN)*	500.0	2025	1.50%						500.0
Bond (EMTN)*	751.7	2020	1.63%	751.7					
Bond (EMTN)*	1,000.0	2023	2.25%				1,000.0		
Bond (EMTN)*	500.0	2022	0.88%			500.0			
Bond (EMTN)*	500.0	2026	1.50%						500.0
Bond (EMTN)*	1,000.0	2024	1.25%					1,000.0	
Bond (EMTN)*	500.0	2022	0.75%			500.0			
Bond (EMTN)*	500.0	2027	1.75%						500.0
Bond (EMTN)*	500.0	2025	1.13%						500.0
Bond (EMTN)*	500.0	2024	0.75%					500.0	–
Bond (EMTN)*	500.0	2028	1.50%						500.0
Bond (EMTN)*	600.0	2022	0.79%			600.0			–
Bond (EMTN)*	500.0	2026	1.50%						500.0
Bond (EMTN)*	500.0	2030	2.13%						500.0
Bond (EMTN)*	500.0	2038	2.75%						500.0
Bond (EMTN)*	500.0	2023	0.88%				500.0		–
Bond (EMTN)*	500.0	2025	1.80%						500.0
Bond (EMTN)*	500.0	2029	0.50%						500.0
Bond (EMTN)*	500.0	2034	1.13%						500.0
Bond (EMTN)*	500.0	2023	0.13%				500.0		
Bond (EMTN)*	500.0	2027	0.63%						500.0
Bond (EMTN)*	500.0	2039	1.63%						500.0
Commercial paper*	300.0	2020	-0.23%	300.0					
Promissory note loan*	50.0	2026	0.29%						50.0
Mortgages**	9,217.7	2030	1.65%	925.7	972.5	604.9	919.4	1,267.0	4,528.2
	23,405.0			**2,278.0**	**1,472.5**	**2,704.9**	**3,104.4**	**2,767.0**	**11,078.2**

* Under the conditions of existing loan agreements, Vonovia is obliged to fulfill certain financial covenants, which it fulfilled.
** For a portion of the mortgages, Vonovia is obliged to fulfill certain financial covenants, which it fulfilled.

The loan repayments shown for the following years contain contractually fixed minimum repayment amounts.

Of the nominal obligations to creditors, € 7,287.6 million (Dec. 31, 2019: € 8,108.6 million) are secured by land charges and other collateral (account pledge agreements, assignments, pledges of company shares and guarantees). In the event of a breach of the covenants, failure to repay or insolvency, the securities provided are used to satisfy the claims of the creditors.

Financial liabilities to banks and other creditors have an average interst rate of approximately 1.41%. The financial liabilities as a whole do not contain any significant short-term interest rate change risks as they relate either to loans with long-term fixed interest rates or variable-interest liabilities that are hedged using suitable derivative financial instruments (see chapter [G53] Financial Risk Management).

Repayment of Corporate Bonds

On March 30, 2020, Vonovia repaid the remaining capital of € 300.6 million on a bond issued by Dutch subsidiary Vonovia Finance B.V.

On December 15, 2020, Vonovia repaid a bond of € 751.7 million issued by Dutch subsidiary Vonovia Finance B.V. as scheduled.

Repayment of Commercial Paper

On February 28, 2020, € 300.0 million was repaid under the Commercial Paper Program that the Dutch subsidiary Vonovia Finance B.V. had taken out for the Vonovia Group. This means that the Commercial Paper Program has been repaid in full.

Repayment of Secured Financing

Secured financing with a volume of around SEK 13.7 billion (approximately € 1.3 billion) was repaid in the Swedish subgroup in August and September.

Secured financing with remaining capital of € 290.0 million was repaid to a consortium including Berlin Hyp, Berliner Sparkasse and Landesbank Baden-Württemberg on June 30, 2020, as scheduled.

Issue of Bonds Under the European Medium-Term Notes Program (EMTN)

Via its Dutch subsidiary Vonovia Finance B.V., Vonovia increased an EMTN bond of € 500.0 million that runs until March 2026 by € 200 million with effect from January 30, 2020.

Vonovia placed two bonds with a total volume of € 1.0 billion on March 31, 2020. The new bonds will bear interest at an average rate of 1.9% and have a term of four and ten years, respectively.

Vonovia Finance B.V. placed two bonds with a total volume of € 1.5 billion on July 2, 2020. With terms of six and ten years, respectively, the bonds bear interest at an average rate of 0.8%. The payout date was July 9, 2020.

New Portfolio Loans

Vonovia Finance B.V. took out secured financing for Vonovia of over € 300.0 million with Landesbank Baden-Württemberg in February 2020 as well as over € 100.0 million with ING Bank, a branch of ING-DiBa AG, and over € 100.0 million with Berliner Sparkasse in March 2020, respectively, each with a term of ten years.

Berlin Hyp provided Vonovia Finance B.V. with secured financing of € 184.0 million with a term of ten years that was disbursed in July 2020.

In November 2020, € 200.0 million was disbursed as part of a secured financing arrangement provided by Commerzbank AG with a term of seven years.

41 Derivatives

	Dec. 31, 2019		Dec. 31, 2020	
in € million	non-current	current	non-current	current
Derivatives				
Purchase price liabilities from put options/rights to reimbursement		39.0		220.5
Cash flow hedges	21.6		29.6	
Stand-alone derivatives	52.5		47.2	
Deferred interest from derivatives		2.0		1.7
	74.1	**41.0**	**76.8**	**222.2**

Regarding derivative financial liabilities please refer to chapter [G51] Additional Financial Instrument Disclosures and chapter [G55] Cash Flow Hedges and Stand-alone Interest Rate Swaps.

42 Leases

Accounting Policies

IFRS 16 "Leases," which is applied as a mandatory requirement since January 1, 2019, introduces only one accounting model (right-of-use) for lessees, based on which all leases are to be recognized in the balance sheet as a matter of principle. The distinction between operating and finance leases only remains in place for accounting as the lessor.

All contracts that give the Vonovia Group the right to control the use of an identified asset over a certain period of time in return for consideration are considered **leases** within the meaning of IFRS 16.

For all lease contracts that meet the definition of leases according to IFRS 16, Vonovia recognizes lease liabilities equal to the present value of the future lease payments, discounted using the term-specific incremental borrowing rate. Correspondingly, right-of-use assets are recognized in the amount of the lease liabilities, plus any advance payments that have already been made or any initial direct costs.

The lease liabilities are adjusted in line with financial principles. They are increased by the periodic interest expenses and reduced by the lease payments made.

The right-of-use assets are generally recognized at amortized cost, taking depreciation and impairment losses into account. Right-of-use assets that meet the definition of investment properties (IAS 40) are recognized at fair value in line with the recognition and measurement rules set out in IAS 40.

Changes within the lease term or within the lease payments lead to a remeasurement of the present value and, as a result, to an adjustment of the lease liability and the right-of-use asset.

Periods resulting from extension or termination options granted on a unilateral basis are assessed on a case-by-case basis and are only taken into account if their use is sufficiently probable – for example, due to financial incentives.

There is an accounting option available for short-term leases and leases of low-value assets. Vonovia makes use of this option, meaning that such leases are not recognized. As far as rented IT-equipment is concerned, portfolios are, in some cases, set up for lease contracts with similar terms and a single discount rate is applied to these portfolios.

Those variable lease payments, which are not included in the measurement of the lease liabilities, as well as lease payments associated with short-term leases, with leases of low-value assets and with lease contracts that do not constitute leases within the meaning of IFRS 16 are recognized as expenses on a straight-line basis over the lease term.

In addition to conventional vehicle leasing over a fixed lease term of three to five years, the Vonovia Group also leases IT equipment (IT leasing), residential and commercial property for subletting (interim leasing), heat generation plants to supply the Group's own properties with heat (contracting) as well as office buildings, office spaces and parking spaces (rental). Under License agreements with public-sector institutions, Vonovia is granted the right to use public properties as storage locations or parking spaces, to lay heating pipes or cables, or to construct playgrounds. Long-term leasehold contracts, however, have the biggest impact on the company's net assets, financial position and results of operations. These involve Vonovia leasing land for the rental of constructed residential and commercial properties. As a general rule, these contracts have a term of 99 years.

Development of Right-of-use Assets

in € million	Dec. 31, 2019	Dec. 31, 2020
Right-of-use assets		
Leasehold contracts	1,223.7	1,431.9
Interim rental agreements	1.1	1.3
Right-of-use assets within investment properties	**1,224.8**	**1,433.2**
Leasing of land for the construction of commercial properties used by the Group	26.2	27.3
Lease agreements	21.4	22.9
Contracting	19.7	15.9
Vehicle leases	6.3	2.6
Tenancy and license agreements	2.4	0.6
Leases of IT equipment	4.4	3.0
Right-of-use assets within property, plant and equipment	**80.4**	**72.3**
	1,305.2	**1,505.5**

As of December 31, 2020, the right-of-use assets resulting from leases amount to € 1,505.5 million (2019: € 1,305.2 million).

The majority of the right-of-use assets amounting to € 1,433.2 million is reported under **investment properties** and results not only from interim lease agreements (€ 1.3 million) but mainly from leasehold contracts (€ 1,431.9 million). The other right-of-use assets totaling € 72.3 million are reported under **property, plant and equipment** and mainly include right-of-use assets resulting from the rental of land for the construction of commercial properties to be used by the company itself (€ 27.3 million), from rental agreements that have been concluded (€ 22.9 million), from heating supply contracts (€ 15.9 million) as well as leases of IT equipment (€ 3.0 million).

Development of Lease Liabilities

in € million	Dec. 31, 2019 Due within one year	Dec. 31, 2019 Due in 1 to 5 years	Dec. 31, 2019 Due after 5 years	Dec. 31, 2020 Due within one year	Dec. 31, 2020 Due in 1 to 5 years	Dec. 31, 2020 Due after 5 years
Lease liabilities						
Leasehold contracts (IAS 40)	10.6	39.7	338.3	10.6	35.3	371.9
Interim rental agreements	0.9	0.2	–	0.9	0.4	–
Leasing of land for the construction of commercial properties used by the Group	0.1	0.3	26.1	0.1	0.5	27.3
Lease agreements	6.8	12.2	2.6	8.3	13.4	1.5
Contracting	1.9	9.1	8.9	5.0	5.7	7.9
Vehicle leases	4.7	1.6	–	1.5	1.1	–
Tenancy and license agreements	1.8	0.1	0.5	0.1	0.1	0.5
Leases of IT equipment	1.5	3.0	–	1.3	1.7	–
	28.3	**66.2**	**376.4**	**27.8**	**58.2**	**409.1**

As of December 31, 2020, the lease liabilities amount to € 495.1 million (2019: € 470.9 million).

The increase in lease liabilities compared to the prior year amounting € 24.2 million is mainly due to an increase in lease liabilities attributable to leasehold contracts in the amount of € 29.3 million, mainly due to extensions of the lease term, increases in the lease payments and new leasehold contracts. The drop in miscellaneous lease liabilities is primarily due to expired lease contracts.

Totaling € 409.1 million, the majority of the lease liabilities recognized as of December 31, 2020, is due after more than five years. Of this amount, € 371.9 million is attributable to lease liabilities resulting from leasehold contracts. Lease liabilities due within the next year amount to € 27.8 million. € 10.6 million of this amount is attributable to leasehold contracts.

The following table shows the development of the right-of-use assets reported under property, plant and equipment.

in € million	Carrying amount of right-of-use assets Jan. 1, 2020	Additions 2020	Depreciation and amortization 2020	Carrying amount of right-of-use assets Dec. 31, 2020	Interest expenses 2020
Leasing of land for the construction of commercial properties used by the Group	26.2	1.5	-0.3	27.3	0.7
Lease agreements	21.4	9.3	-7.7	22.9	0.3
Contracting	19.7	0.8	-4.5	15.9	0.5
Vehicle leases	6.3	1.4	-4.9	2.6	–
Tenancy and license agreements	2.4	1.7	-1.5	0.6	–
Leases of IT equipment	4.4	0.2	-1.6	3.0	–
	80.4	**14.9**	**-20.5**	**72.3**	**1.5**

in € million	Carrying amount of right-of-use assets Jan. 1, 2019	Additions 2019	Depreciation and amortization 2019	Carrying amount of right-of-use assets Dec. 31, 2019	Interest expenses 2019
Leasing of land for the construction of commercial properties used by the Group	26.5	–	-0.3	26.2	0.7
Lease agreements	22.8	5.9	-7.1	21.4	0.2
Contracting	21.2	0.6	-1.9	19.7	0.6
Vehicle leases	11.8	0.9	-6.3	6.3	0.1
Tenancy and license agreements	2.6	1.6	-1.9	2.4	–
Leases of IT equipment	2.0	3.8	-1.0	4.4	–
	86.9	**12.8**	**-18.5**	**80.4**	**1.6**

The interest expenses recognized in the 2020 fiscal year resulting from leases pursuant to IFRS 16 amounted to € 16.1 million (2019: € 14.0 million), mainly from leasehold contracts (€ 13.7 million).

In the 2020 fiscal year, a total of 479 lease contracts (2019: 1,176) were classified as short-term leases and thus were not recognized in line with the accounting option available. The corresponding leasing expenses, recognized in the 2020 fiscal year, amounted to € 1.7 million (2019: € 3.3 million). Expenses totaling € 9.1 million were incurred in connection with variable lease payments made in 2020 (2019: € 8.8 million). These have not been included in the measurement of the lease liabilities.

In addition to variable lease payments as well as payments resulting from short-term leases, each included in the cash flow from operating activities, interest payments and repayments of lease liabilities totaling € 38.4 million were incurred in 2020 (2019: € 36.4 million). Thus, the total cash outflow for leases within the reporting period amounted to € 49.2 million (2019: € 48.5 million).

Total income from subleasing, mostly from subleasing of right-of-use assets in connection with rented residential and commercial properties, amounts to € 8.3 million (2019: € 4.6 million). As of the reporting date, there were no significant non-cancellable subleases on the Spree-Bellevue property.

The loss arising from the rental of the sold Spree-Bellevue property (sale and leaseback transaction) in fiscal year 2020 amounted to € 0.7 million (2019: gain of € 1.0 million). This does not have any material impact on the Group's cash flows.

43 Liabilities to Non-controlling Interests

Accounting Policies

Liabilities to non-controlling interests, which include obligations from the guaranteed dividend agreements, in particular, are stated at fair value when they are recognized for the first time. The fair value is, in principle, determined by the value of the respective company; if a contractually agreed minimum purchase price is higher than this amount, this purchase price is recognized.

The liabilities to non-controlling interests relate especially to the obligations to pay a guaranteed dividend under the valid profit-and-loss transfer agreements in an amount of € 43.1 million (Dec. 31, 2019: € 34.1 million).

44 Financial Liabilities from Tenant Financing

Accounting Policies

Financial liabilities from tenant financing include tenant financing contributions. The financing contributions relate to the contributions collected from tenants in Austria for subsidized apartments. These are reimbursed upon the termination of the rental contract following the deduction of a depreciation amount. The amount refunded can be collected again relating to new tenants. As these are generally rental contracts that can be terminated at any time, these liabilities are reported as current liabilities.

Financial liabilities from tenant financing also include maintenance and improvement contributions deposited by tenants (EVB). These contributions are paid by tenants in Austria to finance the costs associated with modernization work. The payment depends on the age of the building and must be used up for modernization work within 20 years of their receipt. Otherwise, the contributions have to be refunded to the tenant.

First-time recognition is at fair value. Subsequent measurement is at amortized cost.

The financial liabilities from tenant financing as of the reporting date include € 117.4 million (Dec. 31, 2019: € 117.7 million) in tenant financing contributions. In addition, the financial liabilities from tenant financing include € 46.0 million (Dec. 31, 2019: € 44.5 million) in maintenance and improvement contributions deposited by tenants (EVB).

45 Other Liabilities

	Dec. 31, 2019		Dec. 31, 2020	
in € million	non-current	current	non-current	current
Advance payments received	–	42.6	–	79.6
Miscellaneous other liabilities	26.1	221.4	2.6	123.7
	26.1	**264.0**	**2.6**	**203.3**

The advance payments received include on-account payments of € 53.1 million (Dec. 31, 2019: € 30.9 million) from tenants for ancillary costs after offsetting against the corresponding trade receivables.

The miscellaneous other liabilities include purchase price liabilities in the amount of € 32.7 million (Dec. 31, 2019: € 75.0 million) for the acquisition of further shares in companies that are already consolidated.

Section (F): Corporate Governance Disclosures

46 Related Party Transactions

Vonovia had business relationships with unconsolidated subsidiaries in the 2020 fiscal year. These transactions resulted from the normal exchange of deliveries and services and are shown in the table below:

	Purchased services		Receivables		Liabilities	
in € million	2019	2020	2019	2020	2019	2020
Associated companies	2.2	5.8	0.3	8.9	3.0	3.0

At Vonovia, the individuals in key positions pursuant to IAS 24 include the members of the Management Board and the Supervisory Board of Vonovia SE.

The emoluments to key management personnel, which are subject to a disclosure requirement under IAS 24, include the remuneration of the active members of the Management Board and Supervisory Board.

The active members of the Management Board and Supervisory Board received the following remuneration:

in € million	2019	2020
Short-term employee benefits (without share-based payment)	7.2	7.9
Post-employment benefits	1.7	2.2
Termination benefits	0.5	1.4
Share-based payment	5.9	8.4
	15.3	**19.9**

The service cost resulting from provisions for pensions for the active Management Board members is reported under post-employment benefits. The disclosure on share-based payments is based on the expenses in the fiscal year, which are also reported in chapter [F47] Share-Based Payments.

The Management Board and Supervisory Board members were not granted any loans or advances.

Information on the individual remuneration of the Management Board and Supervisory Board members as well as a description of the remuneration system are given in the remuneration report, which is part of the combined management report, and in chapter [F48] Remuneration.

47 Share-Based Payments

Accounting Policies

The **obligations arising from share-based payments** are calculated using standard valuation methods based on option pricing models.

Equity-settled share-based payments are recognized at the grant date at the fair value of the equity instruments vested by that date. The fair value of the obligation is therefore recognized as personnel expenses proportionally over the vesting period and is offset directly against the capital reserves.

The cash-settled share-based payments are shown under other provisions and remeasured at fair value at each reporting date. The expenses are also recognized as personnel expenses over the vesting period (see chapter [E33] Provisions).

Management Board

As part of the new LTIP plan, the Management Board members are granted a fixed number of phantom stocks (performance share units or "PSU") annually, which are paid out at the end of a four-year performance period based on the extent to which a pre-defined target achievement level has been reached. The level of target achievement that determines the payout amount under the LTIP plan is calculated based on the following parameters: Relative Total Shareholder Return (RTSR), Performance of Adj. NAV per Share, Performance of Group FFO per share and the Customer Satisfaction - Index (CSI), which are all assigned an equal weighting of 25%. As a result, this LTIP plan constitutes a form of cash-settled share-based payment pursuant to IFRS 2; in turn, the payout claim can be lost entirely if the defined target achievement level has not been reached.

The value of the total phantom stocks that had been granted but not paid out from the LTIP as of December 31, 2020, was calculated by an external expert based on recognized actuarial principles. The obligation disclosed as of the reporting date breaks down as follows:

Tranche in €	End of vesting period	Rolf Buch	Arnd Fittkau	Helene von Roeder	Daniel Riedl
2017–2020	Dec. 31, 2020	4,750,000			
2018–2021	Dec. 31, 2021	2,680,369		704,535	704,535
2019–2022	Dec. 31, 2022	1,643,072	304,737	691,820	691,820
2020–2023	Dec. 31, 2023	763,306	280,756	280,756	280,756

The LTIP program resulted in expenses pursuant to IFRS 2 totaling € 8.4 million in the 2020 reporting year (2019: € 5.9 million), with € 5.7 million attributable to Rolf Buch, € 1.1 million attributable in each case to Helene von Roeder and Daniel Riedl, and € 0.5 million attributable to Arnd Fittkau.

For further information, please refer to the remuneration report in the further statutory disclosures in the combined management report.

Executives Below Management Board Level

A new LTIP plan was launched for the first level of management in 2016. This LTIP plan is based largely on the LTIP launched for the Management Board in 2015, also regarding the identical performance objectives and the calculation of the objective values with regard to the minimum value, the "target achievement value," and the maximum value.

The value of the total phantom stocks that had been granted but not paid out from the LTIP as of December 31, 2020, was calculated by an external expert based on recognized actuarial principles. The obligation disclosed as of the reporting date breaks down as follows:

Tranche in €	End of Vesting Period	Dec. 31, 2020
2017	Dec. 31, 2020	3,538,474
2018	Dec. 31, 2021	1,902,121
2019	Dec. 31, 2022	1,434,521
2020	Dec. 31, 2023	592,513

The LTIP program results, in accordance with IFRS, in expenses of € 4.4 million in the 2020 reporting year (2019: € 3.4 million).

Employees

An employee share program was concluded on the basis of a works agreement in 2014. The program started in the first quarter of 2015 and the shares granted are subject to a vesting period of six months. The costs associated with the securities deposit account are borne by Vonovia. Shares with a value of between € 90.00 and € 360.00 at the most are granted to the eligible employees, depending on their gross annual salary, without the employees having to make any contribution of their own.

The new employee share program resulted in expenses totaling € 2.3 million in the 2020 reporting year (2019: € 2.0 million), which have been offset directly against the capital reserves.

48 Remuneration

Remuneration of the Supervisory Board

The members of the Supervisory Board received total remuneration of € 1.8 million during the 2020 fiscal year (2019: € 1.8 million) for their work.

Total Remuneration of the Management Board

The total remuneration paid to the individual members of the Management Board comprises the following:

Total remuneration of the Management Board in €	Rolf Buch CEO		Arnd Fittkau CRO		Klaus Freiberg COO until May 16, 2019		Daniel Riedl CDO	
	2019	2020	2019	2020	2019	2020	2019	2020
Fixed remuneration	1,150,000	1,200,000	375,000	700,000	225,000		600,000	700,000
Compensation payment								
Deferred compensation	355,000	400,000	100,000	160,000	60,000			
Pension contribution							160,000	500,000
Fringe benefits	27,453	30,303	18,721	30,758	10,350		29,404	16,057
Total	**1,532,453**	**1,630,303**	**493,721**	**890,758**	**295,350**		**789,404**	**1,216,057**
Annual variable remuneration (bonus)	665,000	794,000	275,000	440,000	308.000*		412,007	440,000
Multi-year variable remuneration (LTIP plan):								
2019–2022	2,060,584	–	504,793		867.614**		867,614	–
2020–2023	–	2,573,330	–	946,512			–	946,512
(number of shares)	46,151	46,169	9,531	16,982	19,432		19,432	16,982
Total	**2,725,584**	**3,367,330**	**779,793**	**1,386,512**	**1,175,614**		**1,279,621**	**1,386,512**
Total remuneration	**4,258,037**	**4,997,633**	**1,273,514**	**2,277,270**	**1,470,964**		**2,069,025**	**2,602,569**

Total remuneration of the Management Board in €	Helene von Roeder CFO		Total remuneration	
	2019	2020	2019	2020
Fixed remuneration	600,000	700,000	2,950,000	3,300,000
Compensation payment	64,874	64,874	64,874	64,874
Cash remuneration/deferred compensation	160,000	160,000	675,000	720,000
Pension contribution			160,000	500,000
Fringe benefits	29,608	25,003	115,536	102,121
Total	**854,482**	**949,877**	**3,965,410**	**4,686,995**
Annual variable remuneration (bonus)	425,812	440,000	2,085,819	2,114,000
Multi-year variable remuneration (LTIP plan):				
2018–2021	867,614	–	5,168,219	–
2019–2022	–	946,512	–	5,412,866
(number of shares)	19,432	16,982	113,978	97,115
Total	**1,293,426**	**1,386,512**	**7,254,038**	**7,526,866**
Total remuneration	**2,147,908**	**2,336,389**	**11,219,448**	**12,213,861**

* Annual variable remuneration agreed in the termination.
** LTIP is granted for the complete financial year regardless of the termination during the year.

The remuneration paid to the Management Board members includes the remuneration for all mandates at Vonovia Group companies, subsidiaries and participating interests.

Pension Obligations to Members of the Management Board

Rolf Buch, Helene von Roeder and Arnd Fittkau are paying their contractual share of € 400,000 (Rolf Buch), € 160,000 (Helene von Roeder and Arnd Fittkau) respectively, based on their fixed remuneration, into the deferred compensation scheme. The annual benefit contribution for Daniel Riedl of € 200,000 and the contractually agreed additional pension remuneration of € 300,000 – both on the part BUWOG – are paid into an external pension fund.

The pension obligations to members of the Management Board from deferred compensation comprise the following:

	Contribution total as of Dec. 31		Defined benefit obligation as of Dec. 31	
in €	2019	2020	2019	2020
Rolf Buch	946,410	1,052,225	5,733,678	7,378,836
Helene von Roeder	437,241	597,025	864,057	1,123,176
Arnd Fittkau	291,772	542,509	363,890	1,580,205

Remuneration of Former Management Board Members and Their Surviving Dependents

Total remuneration of former Management Board members and their surviving dependents amounts to € 1.7 million for the 2020 fiscal year (2019: € 0.7 million). In accordance with the provisions of the termination agreement with Klaus Freiberg, total remuneration includes compensation payable following termination of the contract of employment on December 31, 2019, amounting to € 1.4 million.

The defined benefit obligation (DBO) to former members of the Management Board and their surviving dependents amount to € 22.1 million (2019: € 21.3 million).

49 Auditors' Fees

In the fiscal year, the following fees (including expenses and excluding VAT) have been credited for the services rendered by the Group auditors KPMG Wirtschaftsprüfungs-gesellschaft:

in € million	2019	2020
Audits	4.8	5.0
Other confirmation services	0.6	0.4
	5.4	**5.4**

All of the services rendered were consistent with the activities performed as the auditor of the annual financial statements and consolidated financial statements of Vonovia SE. The fee paid for auditing services performed by KPMG AG Wirtschaftsprüfungsgesellschaft relates to the audit of the consolidated financial statements and annual financial statements of Vonovia SE as well as to various audits of annual financial statements and a review of one set of annual financial statements of Group companies. The consolidated interim financial statements were reviewed and the financial statements were audited in accordance with audit standard IDW PS 490.

The other confirmation services comprised reviews of reconciliations on the interest threshold based on audit standard IDW PS 900, business audits performed in accordance with Section 2 of the Act on the Code of Professional Practice for German Public Auditors (WPO) on compliance with the regulations governing loans granted by the German government-owned development bank KfW and business audits pursuant to ISAE 3000 relating to various housing assistance reports. Other confirmation services also included services associated with the issue of comfort letters pursuant to audit standard IDW PS 910, a review of the tax compliance management system pursuant to audit standard IDW PS 980 and the issue of valuation certificates.

50 Declaration of Conformity with the German Corporate Governance Code

In November 2020, the Management Board and the Supervisory Board issued a Declaration of Conformity with the recommendations of the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (AktG) and made the it permanently available on the company's website (**https://www.vonovia.de/en**).

Section (G): Additional Financial Management Disclosures

Other Notes and Disclosures

51 Additional Financial Instrument Disclosures

Measurement categories and classes:

in € million	Carrying amounts Dec. 31, 2020
Assets	
Cash and cash equivalents	
Cash on hand and deposits at banking institutions	613.3
Trade receivables	
Receivables from the sale of properties	65.3
Receivables from property letting	38.0
Other receivables from trading	16.0
Receivables from sale of real estate inventories (Development)	149.6
Financial assets	
Investments valued at equity	32.9
Loans to other investments	33.3
Other non-current loans	11.3
Non-current securities	4.9
Other investments	311.2
Derivative financial assets	
Cash flow hedges (cross currency swaps)	18.8
Stand-alone interest rate swaps and interest rate caps as well as embedded derivatives	4.0
Liabilities	
Trade payables	234.5
Non-derivative financial liabilities	24,084.7
Derivative financial liabilities	
Purchase price liabilities from put options/rights to reimbursement	220.5
Stand-alone interest rate swaps and interest rate caps	47.2
Other swaps	31.3
Lease liabilities	495.1
Liabilities from tenant financing	163.4
Liabilities to non-controlling interests	43.1

Amounts recognized in balance sheet in accordance with IFRS 9						
Amortized cost	Fair value affecting net income	Fair value recognized in equity with reclassification	Fair value recognized in equity without reclassification	Amounts recognized in balance sheet in acc. with IFRS 16/IAS 28	Fair value Dec. 31, 2020	Fair value hierarchy level
613.3					613.3	1
65.3					65.3	2
38.0					38.0	2
16.0					16.0	2
149.6					149.6	2
				32.9	32.9	n.a.
33.3					63.3	2
11.3					11.3	2
			4.9		4.9	1
			311.2		311.2	2
	-13.1	31.9			18.8	2
	4.0				4.0	2
234.5					234.5	2
24,084.7					25,767.7	2
220.5					220.5	3
	47.2				47.2	2
	12.1	19.2			31.3	2
				495.1		
163.4					163.4	2
43.1					43.1	2

Measurement categories and classes:

in € million	Carrying amounts Dec. 31, 2019
Assets	
Cash and cash equivalents	
Cash on hand and deposits at banking institutions	500.7
Trade receivables	
Receivables from the sale of properties	66.6
Receivables from property letting	41.7
Other receivables from trading	11.8
Receivables from sale of real estate inventories (Development)	85.6
Financial assets	
Investments valued at equity	29.5
Loans to other investments	33.3
Other non-current loans	11.7
Non-current securities	4.4
Other investments	142.2
Derivative financial assets	
Cash flow hedges (cross currency swaps)	29.8
Stand-alone interest rate swaps and interest rate caps as well as embedded derivatives	81.5
Liabilities	
Trade payables	224.2
Non-derivative financial liabilities	23,574.9
Derivative financial liabilities	
Purchase price liabilities from put options/rights to reimbursement	39.0
Stand-alone interest rate swaps and interest rate caps	52.5
Other swaps	23.6
Lease liabilities	470.9
Liabilities from tenant financing	162.2
Liabilities to non-controlling interests	34.1

The section below provides information on the financial assets and financial liabilities not covered by IFRS 9:

> Employee benefits in accordance with IAS 19: Gross presentation of right to reimbursement arising from transferred pension obligations in the amount of € 4.3 million (Dec. 31, 2019: € 4.4 million).

> Amount by which the fair value of plan assets exceeds the corresponding obligation of € 0.8 million (Dec. 31, 2019: € 0.8 million).

> Provisions for pensions and similar obligations: € 627.8 million (Dec. 31, 2019: € 569.9 million).

	Amounts recognized in balance sheet in accordance with IFRS 9						
	Amortized cost	Fair value affecting net income	Fair value recognized in equity with reclassification	Fair value recognized in equity without reclassification	Amounts recognized in balance sheet in acc. with IFRS 16/IAS 28	Fair value Dec. 31, 2019	Fair value hierarchy level
	500.7					500.7	1
	66.6					66.6	2
	41.7					41.7	2
	11.8					11.8	2
	85.6					85.6	2
					29.5	29.5	n.a.
	33.3					56.8	2
	11.7					11.7	2
				4.4		4.4	1
				142.2		142.2	2
		-10.2	40.0			29.8	2
		81.5				81.5	2
	224.2					224.2	2
	23,574.9					24,724.7	2
	39.0					39.0	3
		52.5				52.5	2
		0.2	23.4			23.6	2
					470.9	470.9	2
	162.2					162.2	2
	34.1					34.1	2

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

in € million	Dec. 31, 2020	Level 1	Level 2	Level 3
Assets				
Investment properties	58,071.8			58,071.8
Financial assets				
Non-current securities	4.9	4.9		
Other investments	311.2		311.2	
Assets held for sale				
Investment properties (contract closed)	164.9		164.9	
Derivative financial assets				
Cash flow hedges (cross currency swaps)	18.8		18.8	
Stand-alone interest rate swaps and caps as well as embedded derivatives	4.0		4.0	
Liabilities				
Derivative financial liabilities				
Cash flow hedges	31.3		31.3	
Stand-alone interest rate swaps and caps	47.2		47.2	

in € million	Dec. 31, 2019	Level 1	Level 2	Level 3
Assets				
Investment properties	52,759.1			52,759.1
Financial assets				
Non-current securities	4.4	4.4		
Other investments	140.2		140.2	
Assets held for sale				
Investment properties (contract closed)	134.1		134.1	
Derivative financial assets				
Cash flow hedges (cross currency swaps)	29.8		29.8	
Stand-alone interest rate swaps and caps as well as embedded derivatives	81.5		81.5	
Liabilities				
Derivative financial liabilities				
Cash flow hedges	23.6		23.6	
Stand-alone interest rate swaps and caps	52.5		52.5	

In general, Vonovia measures its investment properties on the basis of the discounted cash flow (DCF) methodology (Level 3). The material valuation parameters and valuation results can be found in chapter [D28] Investment Properties.

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

No financial instruments were reclassified to different hierarchy levels as against the comparative period.

Securities and shares in listed companies included in other investments are generally measured using the quoted prices in active markets (Level 1).

For the measurement of financial instruments, cash flows are initially calculated and then discounted. In addition to the tenor-specific EURIBOR/STIBOR rates (3M; 6M), the respective credit risk is taken as a basis for discounting. Depending on the expected cash flows, either Vonovia's own credit risk or the counterparty risk is taken into account in the calculation.

For the consolidated financial statements, Vonovia's own credit risk was fundamentally relevant for interest rate swaps. This credit risk is derived for material risks from rates observable on the capital markets and ranges from 20 to 100 basis points, depending on the residual maturities of financial instruments. Regarding the positive market values of the cross currency swaps, a counterparty risk of 37 basis points was taken into account.

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

The fair values of the cash and cash equivalents, trade receivables and other financial receivables approximate their carrying amounts at the reporting date owing to their mainly short maturities. The amount of the estimated impairment loss on cash and cash equivalents was calculated based on the losses expected over a period of twelve months. It was determined that the cash and cash equivalents have a low risk of default due to the external ratings and short residual maturities and that there is no need for any material impairment of cash and cash equivalents.

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

			From subsequent measurement						
in € million	From interest	Dividends from other investments	Impairment losses	Derecognized receivables	Derecognized liabilities	Financial result affecting income 2020	Measurement of cash flow hedges	Measurement of financial instruments categorized as equity instruments	Total financial result 2020
2020									
Debt instruments carried at (amortized) cost	21.8	–	-40.0	0.0	–	-18.2	–	–	-18.2
Debt instruments measured at FV through P&L	–	13.4	–	–	–	13.4	–	–	13.4
Derivatives measured at FV through P&L with reclassification	-59.2	–	–	–	–	-59.2	–	–	-59.2
Debt instruments measured at FVOCI with reclassification	–	–	–	–	–	–	24.0	–	24.0
Equity instruments measured at FVOCI without reclassification	–	–	–	–	–	–	–	9.0	9.0
Financial liabilities measured at (amortized) cost	-329.8	–	–	–	0.7	-329.1	–	–	-329.1
	-367.2	**13.4**	**-40.0**	**0.0**	**0.7**	**-393.1**	**24.0**	**9.0**	**-360.1**

in € million	From interest	Dividends from other investments	Impairment losses	Derecognized receivables	Derecognized liabilities	Financial result affecting income 2019	Measurement of cash flow hedges	Measurement of financial instruments categorized as equity instruments	Total financial result 2019
	From subsequent measurement								
2019									
Debt instruments carried at (amortized) cost	8.9	–	-28.6	5.2	–	-14.5	–	–	-14.5
Debt instruments measured at FV through P&L	–	11.8	–	–	–	11.8	–	–	11.8
Derivatives measured at FV through P&L with reclassification	-35.1	–	–	–	–	-35.1	–	–	-35.1
Debt instruments measured at FVOCI with reclassification	–	–	–	–	–	–	11.8	–	11.8
Debt instruments measured at FVOCI without reclassification	–	–	–	–	–	–	–	48.6	48.6
Financial liabilities measured at (amortized) cost	-358.4	–	–	–	0.7	-357.7	–	–	-357.7
	-384.6	**11.8**	**-28.6**	**5.2**	**0.7**	**-395.5**	**11.8**	**48.6**	**-335.1**

52 Information on the Consolidated Statement of Cash Flows

The statement of cash flows shows how Vonovia's cash has changed during the reporting year as a result of cash inflows and outflows. In accordance with IAS 7 (Statement of Cash Flows), a distinction is made between changes in cash flow from operating activities, investing activities and financing activities.

The cash flow from operating activities is determined from the profit for the period using the indirect method, the profit for the period being adjusted for effects of transactions that are not cash-effective, any deferrals or accruals of past or future operating cash receipts or payments as well as items of income or expense associated with investing or financing cash flows.

The effects of changes in the scope of consolidation are shown separately. Therefore, direct comparison with the corresponding changes in the items of the consolidated balance sheet is not possible.

The proceeds from the disposal of intangible assets, property, plant and equipment and investment properties are shown in cash flow from investing activities.

Exercising the IAS 7 option, interest received is shown under cash flow from investing activities and interest paid is shown under cash flow from financing activities.

The item "Payments for acquisition of investment properties" mainly shows expenses for modernization measures.

53 Financial Risk Management

In the course of its business activities, Vonovia is exposed to various financial risks. The Group-wide financial risk management system aims to identify any potentially negative impact on the financial position of the Group early on and take suitable measures to limit this impact. For the structure and organization of financial risk management, we refer to the management report (see chapter "Structure and Instruments of the Risk Management System" → p. 124 et seqq.). This system was implemented on the basis of Group guidelines, which were approved by the Management Board and which are continually reviewed. The risks associated with financial instruments and the corresponding risk management are described in detail as follows:

Market Risks

Currency Risks

The cash-effective currency risks arising in connection with the still existing USD bond were eliminated by the simultaneous contracting of cross currency swaps. Liquidity transfers from the German subgroup to Swedish subsidiaries are generally secured through the conclusion of foreign currency forwards. In addition, currency fluctuations are expected to result from financing relationships with Swedish subsidiaries. The loans denominated in euros granted to Swedish subsidiaries (Dec. 31, 2019: € 1,268.1 million) were converted into SEK loans in the reporting year, meaning that the loans denominated in Swedish krona increased to SEK 20,226.3 million (Dec. 31, 2019: SEK 5,657.7 million). Based on the exchange rate as of December 31, 2020, a -5% change in the value of the Swedish krona against the euro would result in currency gains of € 10.1 million, while a change of +5% would result in a currency loss of € 10.0 million. Vonovia is subject to no further material currency risks in the scope of its usual business activities.

Interest Rate Risks

In the course of its business activities, Vonovia is exposed to cash-effective interest rate risks as a result of floating-rate debt as well as new and follow-on loans. Within this context, the interest markets are continually monitored by the Finance and Treasury department. Its observations are incorporated into the financing strategy.

As part of its financing strategy, Vonovia uses derivative financial instruments, in particular interest rate swaps and caps, to limit or manage interest rate risks. Vonovia's policies permit the use of derivatives only if they are associated with underlying assets or liabilities, contractual rights or obligations and planned, highly probable transactions.

A sensitivity analysis for cash flow hedges is provided under chapter [G55] Cash Flow Hedges and Stand-alone Interest Rate Swaps.

Credit Risks

Vonovia is exposed to a default risk resulting from the potential failure of a counterparty to fulfill its part of the contract. In order to minimize risks, financial transactions are only executed with banks and partners whose credit rating has been found by a rating agency to be at least equivalent to Vonovia's. These counterparties are assigned volume limits set by the Management Board. The counterparty risks are managed and monitored centrally by the Finance and Treasury department.

Liquidity Risks

The companies of Vonovia are financed by borrowings to a notable degree. Due to their high volume, the loans are in some cases exposed to a considerable refinancing risk. The liquidity risks arising from financing transactions with high volumes (volume risks) have become apparent in the financial sector, especially in the wake of the financial crisis. In order to limit these risks, Vonovia is in constant contact with many different market players, continuously monitors all financing options available on the capital and banking markets and uses these options in a targeted manner. Moreover, Vonovia subjects its existing financings to an early review prior to the respective final maturity date in order to ensure refinancing.

Under the conditions of existing loan agreements, Vonovia is obliged to fulfill certain financial covenants such as the debt service coverage ratio or debt-equity ratio. If financial covenants are violated, the breach is not rectified within so-called cure periods and no mutually acceptable agreement can be reached with the lenders, the financing may be restructured and the cost structure changed. Should all commonly practiced solutions be unsuccessful, the lenders could call in the loan. The fulfillment of these financial covenants is continually monitored by the Finance and Treasury department on the basis of current actual figures and budgetary accounting.

In order to ensure its ability to pay at all times, Vonovia has put a system-supported cash management system in place. This system monitors and optimizes Vonovia's cash flows on an ongoing basis and provides the Management Board with regular reports on the Group's current liquidity situation. Liquidity management is supplemented by short-term rolling, monthly liquidity planning for the current fiscal year, of which the Management Board is also promptly notified.

The following table shows the forecast for undiscounted cash flows of the non-derivative financial liabilities and derivative financial instruments for the 2020 reporting year. The loan repayments shown for the following years contain only contractually fixed minimum repayment amounts:

in € million	Carrying amount as of Dec. 31, 2020	2021 Interest	2021 Repayment	2022 Interest	2022 Repayment	2023 to 2027 Interest	2023 to 2027 Repayment
Non-derivative financial liabilities							
Liabilities to banks	6,909.0	93.0	1,075.0	83.2	410.0	282.6	3,599.0
Liabilities to other creditors	17,060.5	124.5	520.3	216.5	2,172.5	668.8	8,744.8
Deferred interest from other non-derivative financial liabilities	115.2	–	–	–	–	–	–
Lease liabilities	495.1	15.1	22.4	14.8	14.2	71.5	40.0
Financial liabilities from tenant financing	163.4	–	118.1	–	2.1	–	10.4
Derivative financial liabilities							
Purchase price liabilities from put options/rights to reimbursement	220.5	–	51.0	–	–	–	27.8
Cash flow hedges/stand-alone interest rate derivatives	72.8	39.2	–	37.5	–	42.7	–
Cash flow hedges (cross currency swap) USD in €	-18.4	-10.2	–	-10.2	–	-10.2	-185.0
Cash flow hedges (cross currency swap) in €		8.5	–	8.4	–	8.4	185.0
Deferred interest from swaps	1.3	1.3	–	–	–	–	–

in € million	Carrying amount as of Dec. 31, 2019	2020 Interest	2020 Repayment	2021 Interest	2021 Repayment	2022 to 2026 Interest	2022 to 2026 Repayment
Non-derivative financial liabilities							
Liabilities to banks	7,403.0	101.1	892.6	97.1	951.6	301.2	3,542.8
Liabilities to other creditors	16,071.7	147.8	1,385.4	222.8	520.9	755.2	9,319.7
Deferred interest from other non-derivative financial liabilities	100.2	–	–	–	–	–	–
Lease liabilities	470.9	13.2	22.8	16.5	15.2	60.4	47.5
Financial liabilities from tenant financing	162.2	–	117.8	–	2.0	–	10.0
Derivative financial liabilities							
Purchase price liabilities from put options/rights to reimbursement	39.0	–	3.3	–	34.0	–	1.7
Cash flow hedges/stand-alone interest rate derivatives	70.8	37.8	–	36.1	–	78.3	–
Cash flow hedges (cross currency swap) USD in €	-29.1	-11.1	–	-11.1	–	-22.3	-185.0
Cash flow hedges (cross currency swap) in €		8.5	–	8.5	–	16.8	185.0
Deferred interest from swaps	1.4	1.4	–	–	–	–	–

In September 2019, a buyback offer was made to the investors holding two outstanding EMTN bonds due to mature in March and December 2020. This offer resulted in approx. 40% of the outstanding nominal volume of the two bonds being bought back, meaning that the maturity amounts of these instruments fell from an original amount of € 500.0 million to € 301 million in March, and from an original amount of € 1,250.0 million to € 752.0 million in December.

Credit Line
In October 2018, Vonovia concluded a syndicated revolving credit facility of € 1,000.0 million with several banks, led by Commerzbank AG, via its Dutch financing company. The term of an unsecured credit line was extended until the end of September 2024 as part of an amendment agreement concluded in September 2020. It bears interest at a rate that is based on the EURIBOR plus an additional margin. This credit line had not been used as of December 31, 2020.

Project-specific credit lines totaling around € 69.6 million were available on the reporting date in connection with bank-financed development projects. The nominal amount of these agreements totals € 243.2 million. These credit lines can be utilized based on the progress of the construction work, provided that corresponding evidence is submitted, taking the contractually agreed payment requirements into account.

There is also a guarantee credit agreement in place between Vonovia and Commerzbank that was increased from € 25.0 million to € 35.0 million in August 2020. Bills of exchange of approximately € 23.4 million had been drawn from this amount as of December 31, 2020. There is another guarantee credit agreement with Raiffeisen Bank International AG in the amount of € 5.0 million within the conwert subgroup. It had not been drawn by the reporting date.

In December 2019, Vonovia SE concluded agreements with Atradius Credit Insurance N.V. and Swiss Re International SE for two revolving lines of credit. Vonovia SE has granted a letter of comfort for a further, already terminated general guarantee agreement between BUWOG Bauträger GmbH and VHV Allgemeine Versicherung AG, under which guarantees of € 0.6 million are currently in force. No new guarantees will be issued under this agreement. Within the BUWOG subgroup, there is also a guarantee line that can be used on a revolving basis with UniCredit Bank Austria AG.

As of December 31, 2020, the total volume available under general guarantee agreements came to € 131.0 million, € 95.3 million of which had been drawn by the reporting date. In addition, a project-specific development financing arrangement with Berliner Volksbank eG allows for the possibility of making use of bills of exchange, bonds and/or guarantees. On the reporting date of December 31, 2020, an amount of € 0.7 million was used.

In April 2019, Victoria Park AB entered into a revolving line of credit of SEK 1,050.0 million with a two-year term with Commerzbank. Vonovia SE acts as the guarantor for this line of credit. SEK 850.0 million of this credit line had been used as of December 31, 2020.

In November 2017, Vonovia concluded a master commercial paper agreement via its Dutch financing company with a total volume of € 500.0 million with Commerzbank AG as lead arranger and several banks as traders. This master program was increased to a total volume of € 1,000.0 million in September 2018. No issues were outstanding as part of this program as of December 31, 2020.

All in all, Vonovia has cash on hand and deposits at banking institutions of € 613.3 million as of the reporting date (Dec. 31, 2019: € 500.7 million). The master credit agreements/the commercial paper program, together with the cash on hand, guarantee Vonovia's ability to pay at all times.

We refer to the information on financial risk management in the management report.

54 Capital Management

Vonovia's management aims to achieve a long-term increase in value in the interests of customers, employees and investors. Within this context, maintaining a degree of financial flexibility in order to be able to pursue the company's growth and portfolio optimization strategy is crucial. This is why Vonovia's capital management focuses on ensuring our investment grade rating. The priority is to ensure sufficient liquidity resources and maintain an efficient ratio between secured and non-secured capital components.

As part of the opportunities and risk management of Vonovia, the members of the Management Board are given monthly reports on the development of results and their potential effects on the capital structure.

The equity situation of the subsidiaries is regularly examined.

Vonovia's equity developed as follows:

in € million	Dec. 31, 2019	Dec. 31, 2020
Total equity	21,123.8	24,831.8
Total assets	56,476.1	62,417.4
Equity ratio	37.4%	39.8%

Vonovia plans to continue funding possible acquisitions by an optimal mix of debt capital and equity.

In order to protect itself against changes in exchange rates and interest rates, Vonovia regularly contracts derivative hedging transactions in the case of liabilities with variable interest rates or liabilities in foreign currencies. The Finance and Treasury department is responsible for implementing the approved financing strategy.

55 Cash Flow Hedges and Stand-alone Interest Rate Swaps

On the reporting date, the nominal volume of cash flow hedges held in euros amounts to € 1,117.4 million (Dec. 31, 2019: € 972.9 million). Interest rates on hedging instruments are between 0.064% and 3.760% with original swap periods of between 4.75 and 20 years.

An interest rate swap concluded between BUWOG – BAUEN UND WOHNEN GmbH and UniCredit Bank Austria AG in December 2014, which has been reported as a stand-alone interest rate swap, was terminated prematurely in September 2020 with a remaining face value of € 102.1 million. At the same time, the aforementioned company concluded a new interest rate swap with the same face value, the same counterparty, a term leading up to December 31, 2034, and a fixed interest rate of 0.064%, designating it as a cash flow hedge.

In addition, a new cash flow hedge with a nominal value of € 47.0 million was designated for an interest rate swap in connection with the acquisition of the Dritte D.V.I. Investment GmbH. The agreement has a term until November 30, 2038 and a fixed interest rate of 1.505%.

For three hedging instruments that are maintained within a so-called passive hedge accounting, € 9.6 million was reclassified affecting net income in the reporting year in line with the expected cash flows from the underlying hedged items. This reduced the value recognized in other comprehensive income to € 28.4 million.

All derivatives are included in netting agreements with the issuing banks. Whereas the cross currency swaps were all recognized with positive market values, basically the euro interest rate swaps have an inherently negative market value as of the reporting date. No economic or accounting offsetting was performed in the reporting year.

Key parameters of the interest rate swaps were as follows:

in € million	Face value	Beginning of term	End of term	Current average interest rate (incl. margin)
Bonds (EMTN)				
Hedged items	600.0	Mar. 22, 2018	Dec. 22, 2022	3M EURIBOR margin 0.45%
Interest rate swaps	600.0	Mar. 22, 2018	Dec. 22, 2022	0.793%
HELABA				
Hedged items	146.6	Jan. 28, 2019	Apr. 30, 2024	1M EURIBOR margin 0.0%
Interest rate swaps	146.6	Jan. 28, 2019	Apr. 30, 2024	0.390%
Berlin Hyp				
Hedged items	146.6	Jan. 28, 2019	Apr. 30, 2024	1M EURIBOR margin 0.0%
Interest rate swaps	146.6	Jan. 28, 2019	Apr. 30, 2024	0.390%
Norddeutsche Landesbank (2)				
Hedged items	79.7	June 28, 2013	June 30, 2023	3M EURIBOR margin 1.47%
Interest rate swaps	79.7	June 28, 2013	June 30, 2023	2.290%
UniCredit Bank AG				
Hedged items	47.0	Oct. 1, 2018	Nov. 30, 2038	3M EURIBOR margin 1.32%
Interest rate swaps	47.0	Oct. 1, 2018	Nov. 30, 2038	1.505%
UniCredit Bank Austria AG				
Hedged items	102.1	Jan. 2, 2015	Dec. 31, 2034	3M EURIBOR margin 1,12 %
Interest rate swaps	102.1	Sep. 18, 2020	Dec. 31, 2034	0.064%

In 2013, two cross currency swaps were contracted in equal amounts with each of JP Morgan Limited and Morgan Stanley Bank International Limited; these hedging instruments (cross currency swaps/CCS) became effective on the issuance of two bonds for a total amount of USD 1,000.0 million. The CCS, each for an amount of USD 375.0 million, fell due in October 2017 in line with the bonds. The hedging instruments, each for an amount of USD 125.0 million, originally had a term of ten years. This means that the EUR/USD currency risk resulting from the coupon and capital repayments was eliminated for the entire term of the bonds.

Key parameters of the cross currency swaps were as follows:

	Face value million USD	Face value million €	Beginning of term	End of term	Interest rate USD	Interest rate €	Hedging rate USD/€
J.P. Morgan Securities plc Morgan Stanley & Co. International plc							
Hedged items	250.0	185.0	Oct. 2, 2013	Oct. 2, 2023	5.00%		
CCS	250.0	185.0	Oct. 2, 2013	Oct. 2, 2023		4.58%	1.3517

Hedge break costs of € 11.5 million were incurred in connection with the premature repayment of two stand-alone interest rate swaps concluded by BUWOG – BAUEN UND WOHNEN GmbH. These costs were offset by the reversal of negative market values of € 11.0 million that had been recognized in the past. As of December 31, 2020, the hedged nominal value of BUWOG's remaining 14 stand-alone interest rate swaps came to € 351.4 million (Dec. 31, 2019: € 487.9 million).

On the reporting date, the Hembla Group recognized two stand-alone interest rate swaps and eight interest rate caps. The nominal value hedged in Swedish krona corresponds to a volume of € 967.6 million as of December 31, 2020 (Dec. 31, 2019: € 1,004.7 million), with the fair value amounting to € -0.7 million in total (Dec. 31, 2019: € -0.2 million). The embedded derivatives have been reduced to 18 loan termination rights with a positive fair value of € 2.7 million (Dec. 31, 2019: € 78.2 million).

On the reporting date, the Victoria Park Group recognized 19 stand-alone interest rate swaps and six interest rate caps. The nominal value hedged in Swedish krona corresponds to a volume of € 939.6 million as of December 31, 2020 (Dec. 31, 2019: € 1,964.0 million) with the fair value amounting to € -7.7 million (Dec. 31, 2019: € -2.6 million) in total. The embedded derivatives still relate to ten loan termination rights with a positive fair value of € 0.9 million (Dec. 31, 2019: € 1.5 million).

The designation of the cash flow hedges as hedging instruments is prospectively determined on the basis of a sensitivity analysis, retrospectively on the basis of the accumulated dollar offset method. The fair value changes of the hedged items are determined on the basis of the hypothetical derivative method. In the reporting year – as in the prior year – the impact of default risk on the fair values is negligible and did not result in any adjustments of the balance sheet item.

In the reporting year, the cash flow hedges held in euros were shown at their negative clean fair values totaling € -29.6 million as of December 31, 2020 (Dec. 31, 2019: € -21.6 million). The corresponding deferred interest amounted to € -1.7 million (Dec. 31, 2019: € -2.0 million). At the same time, positive market values from cross currency swaps in the amount of € 18.4 million (Dec. 31, 2019: € 29.1 million), together with positive market values in the amount of € 4.0 million (Dec. 31, 2019: € 81.5 million) from embedded derivatives and other interest rate derivatives of Victoria Park and Hembla were disclosed. The corresponding deferred interest amounted to € 0.4 million (Dec. 31, 2019: € 0.7 million). Financial liabilities also included negative fair values from stand-alone interest rate derivatives in the amount of € -47.1 million (Dec. 31, 2019: € -52.5 million).

The impact of the cash flow hedges (after income taxes) on the development of other reserves is shown below:

		Changes in the period		Reclassification affecting net income		
in € million	As of Jan. 1	Changes in CCS	Other	Currency risk	Interest risk	As of Dec. 31
2020	**-52.2**	**-5.4**	**-1.4**	**12.7**	**13.4**	**-32.9**
2019	**-63.3**	**8.6**	**-7.2**	**-2.9**	**12.6**	**-52.2**

The impact of the cash flow hedges (including income taxes) on total comprehensive income is shown below:

Cash Flow Hedges

in € million	2019	2020
Change in unrealized gains/losses	2.0	-10.1
Taxes on the change in unrealized gains/losses	-0.6	3.3
Net realized gains/losses	9.8	34.1
Taxes due to net realized gains/losses	-0.1	-8.0
Total	**11.1**	**19.3**

In the reporting year, after allowing for deferred taxes, negative cumulative ineffectiveness for cash flow hedges amounted to € 1.0 million (2019: € 0.6 million), deteriorating net interest by € 0.4 million.

On the basis of the valuation as of December 31, 2020, Vonovia used a sensitivity analysis to determine the change in equity given a parallel shift in the interest rate structure of 50 basis points in each case:

in € million	Change in equity: Other reserves not affecting net income	Change in equity: Income Statement affecting net income	Change in equity: Total
2020			
+50 basis points	9.1	16.3	25.4
-50 basis points	-6.4	-15.0	-21.4
2019			
+50 basis points	3.8	11.5	15.3
-50 basis points	0.4	-10.5	-10.1

A further sensitivity analysis showed that a change in the foreign currency level of -5% (+5%) would lead, after allowance for deferred taxes, to a change in the other reserves not affecting net income of € -0.2 million (or € +0.2 million), while ineffectiveness affecting net income in the amount of € +0.8 million (or € -0.7 million) would result at the same time. In the previous year, a change in the other reserves not affecting net income of € -1.0 million (or € +0.8 million) was recognized in connection with ineffectiveness affecting net income in the amount of € +1.1 million (or € -1.0 million).

56 Contingent Liabilities

Contingent liabilities exist for cases in which Vonovia SE and its subsidiaries give guarantees to various contractual counterparts. The terms are in many cases limited to an agreed time. In some cases, the term is unlimited.

Contingent liabilities of Vonovia are as follows:

in € million	Dec. 31, 2019	Dec. 31, 2020
Guarantees in connection with Development	55.4	120.3
Payment guarantees	0.3	–
Rent surety bonds	1.1	1.6
Other	27.7	–
	84.5	**121.9**

Vonovia is involved in a number of legal disputes resulting from normal business activities. In particular, these involve disputes under the law of tenancy and sales disputes and, in individual cases, company law disputes (mainly following squeeze-out processes). None of the legal disputes, taken in isolation, will have any material effects on the net assets, financial position or results of operations of Vonovia.

57 Other Financial Obligations

The other financial obligations are as follows:

in € million	Dec. 31, 2019	Dec. 31, 2020
Other financial obligations		
Cable TV service contracts	283.0	251.3
IT service contracts	41.2	28.5
Supply contracts	12.1	–
Surcharges under the German Condominium Act	3.3	0.2
Other	8.6	13.7
	348.2	**293.7**

The obligations under cable TV service contracts are set against future income from the marketing of the cable TV service.

Bochum, Germany, February 23, 2021

Rolf Buch
(CEO)

Arnd Fittkau
(CRO)

Helene von Roeder
(CFO)

Daniel Riedl
(CDO)

Independent Auditor’s Report

The following auditor's report, prepared in accordance with § 322 HGB ["Handelsgesetzbuch": "German Commercial Code"], refers to the complete consolidated financial statements, comprising of consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity and notes to the consolidated financial statements, together with the combined management report of Vonovia SE, Bochum, for the financial year from January 1, 2019 to December 31, 2019. The combined management report is not included in this prospectus. The below-mentioned auditor‘s report and consolidated financial statements are both translations of the respective German-language documents.

To Vonovia SE, Bochum

Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report

Opinions

We have audited the consolidated financial statements of Vonovia SE, Bochum, and its subsidiaries (the Group), which comprise the consolidated balance sheet as of December 31, 2020, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of Vonovia SE for the financial year from January 1 to December 31, 2020. In accordance with German legal requirements, we have not audited the content of those components of the combined management report specified in the „Other Information“ section of our auditor’s report.

In our opinion, on the basis of the knowledge obtained in the audit,

> the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of December 31, 2020, and of its financial performance for the financial year from January 1 to December 31, 2020, and

> the accompanying combined management report as a whole provides an appropriate view of the Group’s position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of those components of the combined management report specified in the „Other Information“ section of the auditor’s report.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and EU Audit Regulation No 537/2014 (referred to subsequently as „EU Audit Regulation“) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). We performed the audit of the consolidated financial statements in supplementary compliance with the International Standards on Auditing (ISAs). Our responsibilities under those requirements, principles and standards are further described in the „Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report“ section of our auditor’s report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2)(f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Measurement of Investment Properties

Please refer to notes 13 and 28 to the consolidated financial statements as well as the section on opportunities and risks in the combined management report.

The Financial Statement Risk

Investment properties in the amount of EUR 58.1 billion are reported in the consolidated financial statements of Vonovia as of December 31, 2020. Of this amount, EUR 48.7 billion is attributable to properties located in Germany, EUR 3.0 billion to properties located in Austria and EUR 6.4 billion to properties located in Sweden. Vonovia measures investment properties at fair value in accordance with IAS 40 in conjunction with IFRS 13. In the year under review, increases in fair value of EUR 3.7 billion were recognized in the consolidated income statement.

Vonovia determines the fair values using internal valuation models. Exceptions to this are the Swedish real estate portfolio Victoria Park AB (publ) (hereinafter Victoria Park), Malmö, Sweden, and the real estate portfolio Hembla AB (publ), Stockholm, Sweden (hereinafter Hembla).

The fair values are determined internally by means of a discounted cash flow (DCF) method based on homogeneous valuation units of aggregated commercially related and comparable land and buildings. Further, an independent valuer prepares an appraisal, which is used to verify the internal measurements. For the Victoria Park and Hembla real estate portfolios, fair value is determined by independent valuers.

The measurement of investment properties is complex and incorporates numerous assumptions and data relevant to measurement that involve considerable estimation uncertainties and judgment. Even minor changes in the assumptions and data relevant to measurement can result in significant changes to the resulting fair value. The most significant assumptions and data are market rents, including the expected trend in rental rates, the planned maintenance costs and discount and capitalization rates. When determining the trend of discount and capitalization rates, Vonovia also takes into account the difference in dynamic of movements in real estate prices compared to rental rates (yield compression).

Due to existing estimation uncertainties and judgments, there is the risk for the consolidated financial statements that the fair values of properties are not appropriate.

Moreover, there is the risk for the consolidated financial statements that the disclosures on investment properties in the notes required pursuant to IAS 40 and IFRS 13 are incomplete and inadequate.

Our Audit Approach

With the involvement of our own property valuation experts, using partly control-based and partly substantive audit procedures, we assessed the accuracy and completeness of the property portfolio data used in the internal valuation models. In addition, we particularly assessed the internal valuation techniques with a view to compliance with IAS 40 in conjunction with IFRS 13, the homogeneity of defined valuation units and the appropriateness of the assumptions and data used for measurement. We also used external market data to assess the assumptions and data used for measurement, such as the discount and capitalization rates applied, market rents and expected trend in rental rates as well as planned maintenance costs.

We compared the valuations conducted by Vonovia with our own calculations for a representative sample of German and Austrian portfolio valuation units, supplemented with a risk-oriented selection of elements. To this end, we used the standardized income approach („Ertragswertverfahren“) in accordance with the German Real Estate Appraisal Regulation [ImmoWertV] for the German portfolio and the market comparable method („Vergleichswertverfahren“) in line with ImmoWertV for the Austrian portfolio. In addition, we also conducted on-site inspections for the German properties in the sample to evaluate their respective condition.

We were satisfied with the qualification and objectivity of the external valuers commissioned by Vonovia, evaluated the valuation methods used for the appraisal with regard to compliance with IAS 40 in conjunction with IFRS 13, assessed the material assumptions and data for measurement, and compared the internal measurements with those of the respective external appraisal.

We also assessed the completeness and adequacy of disclosures on investment properties required in the notes to the consolidated financial statements pursuant to IAS 40 and IFRS 13.

Our Observations

The valuation method implemented by Vonovia is appropriate and suitable for measuring fair value in compliance with IFRS. The assumptions and data used for valuation of the investment properties are appropriate. The disclosures on investment properties in the notes to the consolidated financial statements pursuant to IAS 40 and IFRS 13 are complete and appropriate.

Impairment Testing of Goodwill

Please refer to note 26 to the consolidated financial statements.

The Financial Statement Risk

Goodwill in the amount of EUR 1.5 billion is reported in the consolidated financial statements of Vonovia as of December 31, 2020. Goodwill is allocated pursuant to IAS 36 to groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. At Vonovia, these are the regional business areas in the Rental segment and the Value-add and Development segments.

Vonovia conducts annual impairment testing of recognized goodwill in the fourth quarter. For each group of cash-generating units, the carrying amount of the unit is compared with the recoverable amount of the unit. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Vonovia determines value in use by applying a complex calculation model based on a DCF method. In this regard, determination of the discount rate (WACC) is the primary source of judgment apart from cash flow forecasts. As even minor changes in the cash flow forecasts and the WACC may have a material effect on the recoverable amount, the measurement of goodwill is associated with considerable estimation uncertainties.

In the Rental segment, yield compression (i.e. the difference in dynamic of real estate prices compared to rental rates) had a material effect on the value of goodwill, as the carrying amounts of investment properties (which rose faster relative to the projected cash flows) reduced the difference (headroom) between value in use and the carrying amounts of the groups of cash-generating units. In financial year 2020, the appreciation in value of the investment properties and the associated increase in the carrying amounts of all groups of cash-generating units in the Rental segment led to a reduction in headroom, but not to an impairment of goodwill.

There is the risk for the consolidated financial statements that an impairment loss is not recognized in the amount required. There is also the risk that the disclosures in the notes to the consolidated financial statements are not appropriate.

Our Audit Approach

With the involvement of our own valuation experts, we assessed the adequacy of Vonovia's calculation method, among other things, and reconciled the expected future cash flows recorded in the model to the underlying detailed planning. This detailed planning was derived from the five-year plan adopted by the Management Board on November 26, 2020, and acknowledged by the Supervisory Board on December 15, 2020. We assessed the plausibility of the planning assumptions based on sector-specific market expectations. We also assessed the quality of forecasts used for planning in the past by comparing the target figures with actual figures and analyzing the deviations.

As a significant part of the value in use for the regional business areas in the Rental segment is based on cash flow forecasts beyond the detailed planning horizon (period of perpetuity), we particularly evaluated capitalized maintenance as well as the sustainable growth rates used for the period of perpetuity against the backdrop of regional differences in the various business areas and based on external market assessments.

With regard to the WACCs determined by Vonovia, we assessed the individual assumptions and data used in detail on the basis of available market data and also critically evaluated them as a whole compared to comparable companies in the real estate sector. Due to the material effect of even minor changes in WACC, we focused in particular on the sensitivity analyses conducted by Vonovia as another audit focus area and verified whether further impairment losses could arise due to changes of individual WACC assumptions and data within an expected range.

We verified (recalculated) the values in use determined by Vonovia and compared them with the corresponding carrying amounts.

Finally, we assessed whether the disclosures in the notes regarding impairment of goodwill are appropriate. This also included an assessment of the appropriateness of disclosures in the notes on sensitivity in the event of reasonably possible changes in key assumptions and data used for measurement.

Our Observations

The calculation method used for impairment testing of goodwill is appropriate and in line with the accounting policies to be applied. The Company's assumptions and data used for measurement are within an acceptable range. The disclosures in the notes on impairment testing of goodwill are appropriate.

Other Information

Management and/or the Supervisory Board are/is responsible for the other information. The other information comprises the following components of the combined management report, whose content was not audited:

> the non-financial statement contained in its own section of the combined management report and

> the corporate governance statement referred to in the combined management report.

The other information also includes the remaining parts of the annual report.

The other information does not include the consolidated financial statements, the combined management report information audited for content and our auditor's report thereon.

Our opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

> is materially inconsistent with the consolidated financial statements, with the combined management report information audited for content or our knowledge obtained in the audit, or

> otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In accordance with our engagement letter, we conducted a separate assurance engagement of the non-financial statement. Please refer to our assurance report dated March 1, 2021, for information on the nature, scope and findings of this assurance engagement.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

Management is responsible for the preparation of consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) and supplementary compliance with the ISAs will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

> Identify and assess the risks of material misstatements of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

> Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

> Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.

> Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

> Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.

> Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

> Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

> Perform audit procedures on the prospective information presented by management in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Assurance Report in accordance with Section 317 (3b) HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Combined Management Report Prepared for Publication Purposes

We have performed an assurance engagement in accordance with Section 317 (3b) HGB to obtain reasonable assurance about whether the electronic reproduction of the consolidated financial statements and the combined management report together with the reproduction of the annual financial statements in one file (hereinafter the "ESEF documents") contained in the file that can be downloaded by the issuer from the electronic client portal with access protection, „vonovia-2020-12-31.zip“ (SHA256 hash value: 46fcc542dcc66ff0018ecc4dfede88b02f19ddcaa171737036od-f3c0d3a78938) and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format („ESEF format“). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the combined management report contained in the above-mentioned electronic file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance conclusion and our audit opinion on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from January 1 to December 31, 2020, contained in the "Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report" above.

We conducted our assessment of the reproduction of the consolidated financial statements and the combined management report contained in the above-mentioned electronic file in accordance with Section 317 (3b) HGB and the Exposure Draft of the IDW Assurance Standard: Assurance in accordance with Section 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410) and the International Standard on Assurance Engagements 3000 (Revised). Accordingly, our responsibilities are further described below. Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

The Company's management is responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the combined management report in accordance with Section 328 (1) sentence 4 item 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 item 2 HGB.

In addition, the Company's management is responsible for the internal controls they consider necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format, whether due to fraud or error.

The Company's management is also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited combined management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of Section 328 (1) HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance engagement. We also:

> Identify and assess the risks of material non-compliance with the requirements of Section 328 (1) HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.

> Obtain an understanding of internal control relevant to the assessment of the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing a conclusion on the effectiveness of these controls.

> Evaluate the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815 on the technical specification for this electronic file.

> Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and the audited combined management report.

Evaluate whether tagging the ESEF documents with Inline XBRL technology (iXBRL) provides an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor at the annual general meeting on June 30, 2020. We were engaged by the Supervisory Board on October 13, 2020. We have been the group auditor of Vonovia SE without interruption since the Company's IPO in financial year 2013.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Martin C. Bornhofen.

Düsseldorf, March 1, 2021

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Ufer	Bornhofen
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Audited Consolidated Financial Statements of Vonovia SE as of and for the financial year ended December 31, 2019 (IFRS)

Consolidated Income Statement

January 1 until December 31

in € million	Notes	2018	2019
Income from property letting		2,647.9	2,840.8
Other income from property management		60.3	69.9
Income from property management	B10	**2,708.2**	**2,910.7**
Income from disposal of properties		1,097.5	510.7
Carrying amount of properties sold		-933.7	-441.6
Revaluation of assets held for sale		68.5	59.7
Profit on disposal of properties	B11	**232.3**	**128.8**
Income from the disposal of properties (Development)		225.1	249.5
Cost of sold properties		-181.8	-197.3
Profit on the disposal of properties (Development)	B12	**43.3**	**52.2**
Net income from fair value adjustments of investment properties	B13	3,517.9	4,131.5
Capitalized internal expenses	B14	608.2	687.2
Cost of materials	B15	-1,381.0	-1,463.0
Personnel expenses	B16	-513.1	-535.7
Depreciation and amortization		-737.9	-2,175.8
Other operating income	B17	132.2	105.7
Impairment losses on financial assets		-21.6	-28.6
Gains resulting from the derecognition of financial assets measured at amortized cost		1.0	5.2
Other operating expenses	B18	-300.0	-295.3
Net income from investments accounted for using the equity method		1.8	0.6
Interest income	B19	5.8	8.9
Interest expenses	B20	-420.8	-417.5
Other financial profit	B21	-2.0	24.0
Earnings before tax		**3,874.3**	**3,138.9**
Income taxes	B22	-1,471.5	-1,844.6
Profit for the period		**2,402.8**	**1,294.3**
Attributable to:			
Vonovia's shareholders		2,266.5	1,147.0
Vonovia's hybrid capital investors		40.0	40.0
Non-controlling interests		96.3	107.3
Earnings per share (basic and diluted) in €	C24	**4.48**	**2.15**

Consolidated Statement of Comprehensive Income

January 1 until December 31

in € million	2018	2019
Profit for the period	2,402.8	1,294.3
Cash flow hedges		
Change in unrealized gains/losses	0.4	2.0
Taxes on the change in unrealized gains/losses	3.0	-0.6
Net realized gains/losses	3.1	9.8
Taxes due to net realized gains/losses	-1.0	-0.1
Total	5.5	11.1
Currency translation differences		
Changes in the period	16.3	-13.7
Net realized gains/losses	-0.7	-
Total	15.6	-13.7
Items which will be recognized in profit or loss in the future	21.1	-2.6
Equity instruments at fair value in other comprehensive income		
Changes in the period	60.0	48.6
Taxes on changes in the period	-0.9	0.4
Total	59.1	49.0
Actuarial gains and losses from pensions and similar obligations		
Change in actuarial gains/losses, net	-7.7	-53.7
Tax effect	2.7	17.5
Total	-5.0	-36.2
Items which will not be recognized in profit or loss in the future	54.1	12.8
Other comprehensive income	75.2	10.2
Total comprehensive income	**2,478.0**	**1,304.5**
Attributable to:		
Vonovia's shareholders	2,340.3	1,159.3
Vonovia's hybrid capital investors	40.0	40.0
Non-controlling interests	97.7	105.2

Consolidated Balance Sheet

Assets

in € million	Notes	Dec. 31, 2018	Dec. 31, 2019
Intangible assets	D26	2,943.2	1,604.0
Property, plant and equipment	D27	250.4	358.6
Investment properties	D28	43,490.9	52,736.6
Financial assets	D29	888.8	253.5
Other assets	D30	12.2	54.7
Deferred tax assets		54.1	59.3
Total non-current assets		47,639.6	55,066.7
Inventories	D32	8.8	8.8
Trade receivables	D33	493.1	205.7
Financial assets	D29	0.8	0.7
Other assets	D30	114.4	138.0
Income tax receivables	D31	170.2	84.7
Cash and cash equivalents	D34	547.7	500.7
Real estate inventories	D35	307.1	358.3
Assets held for sale	D36	105.9	134.1
Total current assets		1,748.0	1,431.0
Total assets		**49,387.6**	**56,497.7**

Equity and Liabilities

in € million	Notes	Dec. 31, 2018	Dec. 31, 2019
Subscribed capital		518.1	542.3
Capital reserves		7,183.4	8,239.7
Retained earnings		9,942.0	10,534.4
Other reserves		236.7	-8.1
Total equity attributable to Vonovia's shareholders		**17,880.2**	**19,308.3**
Equity attributable to hybrid capital investors		1,001.6	1,001.6
Total equity attributable to Vonovia's shareholders and hybrid capital investors		**18,881.8**	**20,309.9**
Non-controlling interests		782.3	759.8
Total equity	E37	**19,664.1**	**21,069.7**
Provisions	E38	616.7	662.4
Trade payables	E39	4.4	5.1
Non-derivative financial liabilities	E40	17,437.5	21,198.0
Derivatives	E41	69.8	74.1
Lease liabilities	E42	94.7	442.6
Liabilities to non-controlling interests	E43	24.2	21.2
Financial liabilities from tenant financing	E44	56.1	44.4
Other liabilities	E45	42.5	26.1
Deferred tax liabilities		7,231.9	9.272.1
Total non-current liabilities		**25,577.8**	**31,746.0**
Provisions	E38	450.5	530.2
Trade payables	E39	239.1	219.1
Non-derivative financial liabilities	E40	2,698.5	2,376.9
Derivatives	E41	41.4	41.0
Lease liabilities	E42	4.7	28.3
Liabilities to non-controlling interests	E43	9.0	12.9
Financial liabilities from tenant financing	E44	104.7	117.8
Other liabilities	E45	597.8	355.8
Total current liabilities		**4,145.7**	**3,682.0**
Total liabilities		**29,723.5**	**35,428.0**
Total equity and liabilities		**49,387.6**	**56,497.7**

Consolidated Statement of Cash Flows

January 1 until December 31

in € million	Notes	2018	2019
Profit for the period		2,402.8	1,294.3
Net income from fair value adjustments of investment properties	B13	-3,517.9	-4,131.5
Revaluation of assets held for sale	B11	-68.5	-59.7
Depreciation and amortization		737.9	2,175.8
Interest expenses/income	B19/B20	440.1	396.4
Income taxes	B22	1,471.5	1,844.6
Results from disposals of investment properties	B11	-163.8	-69.1
Results from disposals of other non-current assets		0.2	0.3
Other expenses/income not affecting net income		–	2.7
Change in working capital		-3.4	55.4
Income tax paid		-166.4	46.7
Cash flow from operating activities		**1,132.5**	**1,555.9**
Proceeds from disposals of investment properties and assets held for sale		1,054.2	702.7
Proceeds from disposals of other assets		7.4	695.8
Payments for investments of investment properties	D28	-1,358.8	-2,092.0
Payments for investments of other assets	D26/D27/D29	-211.5	-101.4
Payments for acquisition of shares in consolidated companies, in due consideration of liquid funds	A4	-3,387.7	-1,716.2
Interest received		3.9	5.4
Cash flow from investing activities		**-3,892.5**	**-2,505.7**

in € million	Notes	2018	2019
Capital contributions on the issue of new shares (including premium)	E37	995.8	744.2
Cash paid to shareholders of Vonovia SE and non-controlling interests	E37	-401.1	-417.7
Payments to hybrid capital investors	E37	-40.0	-40.0
Proceeds from issuing financial liabilities	E40	5,064.2	5,333.2
Cash repayments of financial liabilities	E40	-1,901.6	-3,626.6
Cash repayments of lease liabilities	E42	–	-22.4
Payments for transaction costs in connection with capital measures	E40	-54.9	-54.6
Payments for other financing costs		-22.3	-41.5
Payments in connection with the disposal of shares in non-controlling interests	A4	-309.0	-576.1
Proceeds for the sale of shares of consolidated companies		16.2	–
Interest paid		-305.8	-395.7
Cash flow from financing activities		3,041.5	902.8
Net changes in cash and cash equivalents		281.5	-47.0
Cash and cash equivalents at the beginning of the period	D34	266.2	547.7
Cash and cash equivalents at the end of the period*		**547.7**	**500.7**

* Thereof restricted cash € 97.3 million (Dec. 31, 2018: € 57.2 million).

Consolidated Statement of Changes in Equity

				Other reserves	
in € million	Subscribed capital	Capital reserves	Retained earnings	Cash flow hedges	Equity instruments at fair value in other comprehensive income
As of Jan. 1, 2019	518.1	7,183.4	9,942.0	-63.3	284.8
Application of new standards			-34.0		
Deferred tax liabilities from the application of new standards			10.6		
as of Jan. 1, 2019 adjusted	518.1	7,183.4	9,918.6	-63.3	284.8
Profit for the period			1,147.0		
Other comprehensive income					
Changes in the period			-35.5	1.4	49.0
Reclassification affecting net income				9.7	
Total comprehensive income			1,111.5	11.1	49.0
Capital increase	24.2				
Premium on the issue of new shares		1,061.3			
Transaction costs in connection with the issue of shares		-5.0			
Dividend distributed by Vonovia SE			-746.0		
Sale of equity instruments at fair value in other comprehensive income			292.6		-292.6
Changes recognized directly in equity			-42.3		
As of Dec. 31, 2019	**542.3**	**8,239.7**	**10,534.4**	**-52.2**	**41.2**
As of Jan. 1, 2018	485.1	5,966.3	8,471.6	-68.8	225.7
Profit for the period			2,266.5		
Other comprehensive income					
Changes in the period			-5.1	3.4	59.1
Reclassification affecting net income				2.1	
Total comprehensive income			2,261.4	5.5	59.1
Capital increase	33.0				
Premium on the issue of new shares		1,224.4			
Transaction costs in connection with the issue of shares		-7.5			
Dividend distributed by Vonovia SE			-640.3		
Acquisitions (mainly Victoria Park and BUWOG)					
Changes recognized directly in equity		0.2	-150.7		
As of Dec. 31, 2018	**518.1**	**7,183.4**	**9,942.0**	**-63.3**	**284.8**

Currency translation differences	Total	Equity attributable to Vonovia's shareholders	Equity attributable to Vonovia's hybrid capital investors	Equity attributable to Vonovia's shareholders and hybrid capital investors	Non-controlling interests	Total equity
15.2	236.7	17,880.2	1,001.6	18,881.8	782.3	19,664.1
		-34.0		-34.0	-1.0	-35.0
		10.6		10.6	0.3	10.9
15.2	236.7	17,856.8	1,001.6	18,858.4	781.6	19,640.0
		1,147.0	40.0	1,187.0	107.3	1,294.3
-12.3	38.1	2.6		2.6	-2.1	0.5
	9.7	9.7		9.7		9.7
-12.3	47.8	1,159.3	40.0	1,199.3	105.2	1,304.5
		24.2		24.2		24.2
		1,061.3		1,061.3		1,061.3
		-5.0		-5.0		-5.0
		-746.0		-746.0		-746.0
	-292.6	0.0	0.0	0.0		
		-42.3	-40.0	-82.3	-127.0	-209.3
2.9	**-8.1**	**19,308.3**	**1,001.6**	**20,309.9**	**759.8**	**21,069.7**
0.9	157.8	15,080.8	1,001.6	16,082.4	608.8	16,691.2
		2,266.5	40.0	2,306.5	96.3	2,402.8
15.0	77.5	72.4		72.4	1.4	73.8
-0.7	1.4	1.4		1.4		1.4
14.3	78.9	2,340.3	40.0	2,380.3	97.7	2,478.0
		33.0		33.0		33.0
		1,224.4		1,224.4		1,224.4
		-7.5		-7.5		-7.5
		-640.3		-640.3		-640.3
					554.0	554.0
		-150.5	-40.0	-190.5	-478.2	-668.7
15.2	**236.7**	**17,880.2**	**1,001.6**	**18,881.8**	**782.3**	**19,664.1**

Notes

Section (A): Principles of the Consolidated Financial Statements

1 General Information

Vonovia SE is incorporated and domiciled in Germany. The company is registered in the commercial register at the local court in Bochum under HRB 16879. Its registered office is located in Bochum.

The consolidated financial statements as of and for the year ended December 31, 2019, have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted in the EU. In addition, the supplementary commercial law provisions under Section 315e (1) of the German Commercial Code (HGB) have been observed. These are the first consolidated financial statements in which IFRS 16 "Leases" is applied. Changes due to reclassifications are set out in chapter [A2] Adjustment to prior-year figures.

The consolidated financial statements have been prepared on the basis of amortized cost except for investment properties, assets held for sale, derivative financial instruments, plan assets and equity instruments at fair value under other comprehensive income. These are measured at their fair value. The income statement has been prepared using the nature of expense method.

These consolidated financial statements are presented in euros, which is the Group's functional currency. Unless stated otherwise, all figures are shown in million euros (€ million).

The following overview indicates the chapters on the individual topics containing disclosures on accounting policies, judgments and estimates:

Chapter	Accounting policies, judgments, estimates
A6	Currency translation
A7	Government grants
B	Recognition of income and expenses
B12	Profit on the disposal of properties (Development)
B22	Income taxes
B24	Earnings per share
D26	Other intangible assets/goodwill
D27	Property, plant and equipment
D28	Investment properties
D29	Financial assets
D32	Inventories
D33	Impairment losses on financial assets
D34	Cash and cash equivalents
D35	Real estate inventories
D36	Assets held for sale
E37	Income and expense recognized directly in other comprehensive income
E38	Provisions for pensions and similar obligations/other provisions
E40	Non-derivative financial liabilities
E42	Leases
E43	Liabilities to non-controlling interests
E44	Financial liabilities from tenant financing
F47	Share-based payment

2 Adjustment to Prior-year Figures

In order to improve the presentation of the income statement and to separate interest income and interest expenses within the meaning of IFRS 9, the currency effects of € 37.2 million (2018: € -12.0 million), the income from investments in the amount of € 11.8 million (2018: € 23.1 million), transaction costs in the amount of € -22.9 million (2018: € -14.2 million) and the measurement of purchase price liabilities from put options/rights to reimbursement of € -2.1 million (2018: € 1.1 million) are shown separately from the other components of the financial result, namely as the other Financial Result. The corresponding prior-year figures have been adjusted and are broken down further in the income statement in B21. As a result of the reporting amendment, financial income decreased in the previous year by € 26.3 million and financial expenses by € 28.3 million. Due to the specification of the disclosure, the designation of financial income was changed to interest income, and financial expenses to interest expenses.

3 Consolidation Principles

Business Combinations

An entity shall account for each business combination by applying the acquisition method if it obtains control. All hidden reserves and charges of the company acquired are disclosed as part of the necessary remeasurement. Any excess of the cost of a business combination over Vonovia's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities, following the disclosure of hidden reserves and charges, is recognized as goodwill in the balance sheet. The consideration transferred at the time of the acquisition and the identifiable net assets that are acquired are measured at fair value as a general rule. Transaction costs are recognized as an expense immediately insofar as they do not relate to costs pertaining to the raising of capital or the issue of debt capital.

Subsidiaries

Subsidiaries are companies that are controlled by the Group. The Group controls an investee if it is exposed to risks or has rights to variable returns from its involvement with the investee and has the ability to use its power of control over the investee to influence the level of these returns. In the process of full consolidation, the assets and liabilities of a subsidiary are included in the consolidated financial statements in their entirety. Subsidiaries are included in the consolidated financial statements from the date on which Vonovia SE obtains control until the day control ceases.

Non-controlling Interests

The equity of a subsidiary that is not attributable to Vonovia is shown as a separate component of equity under non-controlling interests. Non-controlling interests are measured based on their share of the identified net assets of the acquired company at the time of acquisition.

Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are equity transactions.

Loss of Control

If Vonovia loses control over a subsidiary, the assets and liabilities of the subsidiary in question as well as any corresponding non-controlling interests are derecognized. The result is recognized in the income statement. Any investment retained is recognized at fair value when control is lost.

Associates and Joint Arrangements

Associates and joint arrangements classified as joint ventures are accounted for using the equity method. An associate is an entity over which the investor has significant influence. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. If the arrangement involves rights to the assets and obligations for the liabilities of a joint arrangement instead, then these are recognized using quota consolidation.

Business Transactions Eliminated on Consolidation

The effects of the business transactions between the entities included in the Vonovia consolidated financial statements are eliminated.

Results from business transactions with companies accounted for using the equity method are only eliminated in line with the Group's share in the investee.

The financial statements of Vonovia SE and all subsidiaries are consistently prepared according to uniform accounting policies.

4 Business Combinations

All in all, and including Vonovia SE, 620 companies (Dec. 31, 2018: 520) – thereof 294 (Dec. 31, 2018: 318) domestic companies and 326 (Dec. 31, 2018: 202) foreign companies – have been included in the consolidated financial statements as of December 31, 2019. In addition, joint activities were performed with two domestic companies (Dec. 31, 2018: two). In addition, four (Dec. 31, 2018: four) domestic companies and one (Dec. 31, 2018: two) foreign company were included as joint ventures and two (Dec. 31, 2018: two) foreign companies were included as associated companies valued using the equity method.

For all subsidiaries included in the consolidated financial statements, the reporting date is December 31.

The list of Vonovia shareholdings is appended to the Notes to the consolidated financial statements as an integral part thereof.

Companies that have made use of the exemption provision set out in Section 264 (3) of the German Commercial Code (HGB) are marked accordingly in the list of shareholdings.

The changes as of December 31, 2019 in comparison to the prior year result from the acquisition of the Hembla Group (123 companies) and 20 further acquisitions, four newly established companies, 36 mergers, eight liquidations and one disposal due to a loss of control. Three foreign companies are no longer included in the scope of consolidation as they are no longer considered to be material. These companies are not shown as consolidated affiliated companies.

Acquisition of Victoria Park

As of December 31, 2019, the final purchase price allocation using the anticipated acquisition method and the consideration granted is unchanged as against December 31, 2018. The measurement period for the first-time recognition of the merger with Victoria Park ended on June 30, 2019.

The call options granted to Deutsche Annington Acquisition Holding GmbH during the original offer period were exercised on May 15, 2019. The call options include 10,235,198 class A shares and 14,264,946 class B shares, which corresponds to 10.0% of the total number of shares and 12.5% of the total voting rights in Victoria Park. The exercise price of the call options was the same as the price paid in the public takeover offer for the shares in Victoria Park. Vonovia therefore held 91.4% of the share capital and 94.4% of all voting rights in Victoria Park.

As this resulted in Vonovia holding more than 90% of the voting rights, Vonovia asked the Board of Directors of Victoria Park to initiate a squeeze-out for the acquisition of all remaining shares in Victoria Park in line with the Swedish Companies Act (sv. aktiebolagslagen (2005:551)). The Board of Directors then also resolved to apply for delisting of the Victoria Park ordinary shares of class A and class B from Nasdaq Stockholm. The last day of trading was June 18, 2019.

Once the squeeze-out process has been initiated, Swedish law dictates that it can no longer be aborted unilaterally by one of the parties. As part of this process, the transfer of the majority of the outstanding shares in rem was executed with the granting of the advance title on November 17, 2019. As a consequence, the shares are fully attributable to the Group as of December 31, 2019, and are recognized accordingly.

In addition, a resolution on the recall of all 1,032,047 preference shares was passed at the extraordinary Annual General Meeting of Victoria Park AB (publ), Malmo, Sweden, held on June 19, 2019. The recall was conducted in accordance with Section 5.4 of the Articles of Association on July 11, 2019.

Acquisition of Hembla

On September 23, 2019, Vonovia SE announced that it had signed a contract for the purchase of 69.3% of the voting rights and 61.2% of the share capital in Hembla AB (publ), Stockholm, Sweden, via its subsidiary HomeStar InvestCo AB, Stockholm, Sweden, with the funds advised by Blackstone Group Inc. The parties have agreed to a purchase price of SEK 215.00 per share (irrespective of share class). The completion of the transaction required the approval of the Swedish merger control authorities, which was given on November 5, 2019.

The acquisition date at which Vonovia SE obtained control of the Hembla Group is November 7, 2019. This was the date on which the offer was settled. This transaction shall be treated as a business combination in accordance with IFRS 3.

As a result of the transaction, Vonovia became the owner of 6,136,989 Class A Hembla shares and 50,722,985 Class B Hembla shares. Together with the 2,805,588 Class B Hembla shares acquired on the market up to that time, this corresponded to 71.7% of the voting rights and approximately 64.2% of the share capital.

On November 8, the offer document submitted on November 7, 2019, for the acquisition of all outstanding Class B Hembla shares not already held by HomeStar was approved and registered by the Swedish Financial Regulator. The offer price was SEK 215.00 per share. The acceptance deadline for the offer ended on December 9, 2019, at 5 p.m. (CET); the transaction was completed on December 16, 2019. Since the acquisition of the shares as part of the acceptance period was effected under exactly the same conditions as the purchase on November 7, 2019, and the two events are related in terms of content and timing, a linked transaction can be assumed.

As a result of the completion of the transaction, Vonovia became a holder of 24,746,662 Class B Hembla shares, corresponding to approximately 21.1% of the voting rights and approximately 26.6% of the share capital of Hembla.

Furthermore, since announcing the offer, HomeStar has acquired an additional 3,007,191 Class B Hembla shares apart from this offer, corresponding to approximately 2.5% of the voting rights and approximately 3.2% of the share capital of Hembla. Since the acquisition of the shares was effected within the acceptance period under exactly the same conditions as the purchase on November 7, 2019, and the two events are related in terms of content and timing, a linked transaction can be assumed.

Therefore, Vonovia became holder of 6,136,989 Class A Hembla shares and 81,282,426 Class B Hembla shares as of December 31, 2019, representing approximately 95.3% of the voting rights and approximately 94.1% of the share capital. In addition, HomeStar has acquired a total of 2,253,600 option rights from Hembla employees, which were granted as part of Hembla's long-term incentive program in 2017.

On December 10, 2019, Vonovia announced that it would extend the offer period until January 8, 2020, at 5 p.m. (CEST) in order to give remaining shareholders who had not accepted the offer the possibility of doing so.

Furthermore, on December 18, 2019, Vonovia asked the Board of Directors of Hembla to apply for a delisting based on the existing share of voting rights of over 90%. The Board of Directors then applied for a delisting of ordinary shares of Class B in Hembla from Nasdaq Stockholm on the same day. The delisting was confirmed by Nasdaq Stockholm on December 19, 2019, and the last day of trading was set as January 10, 2020.

In addition, on December 18, 2019, Vonovia initiated an application for a squeeze-out to acquire all remaining shares in Hembla after the extended offer period in line with the Swedish Companies Act (Section 22 of the Swedish Companies Act).

As part of the provisional purchase price allocation using the anticipated acquisition method, the consideration transferred for the business combination comprises the following:

in € billion	
Net cash purchase price component	1.8
Put option	0.1
Total consideration	**1.9**

Due to the proximity of the acquisition to the reporting date, the allocation of the total purchase price as of December 31, 2019, could only be made on a provisional basis. In this context, the provisional allocation of the total purchase price to the acquired assets and liabilities (PPA) of the Hembla Group as of the date of first-time consolidation is based on the financial statements of the Hembla Group as of October 31, 2019, and on the known necessary adjustments to the fair values of the assets and liabilities.

The valuation of the investment properties is based on the fair value determination dated September 30, 2019, which was carried out by Savills Sweden AB on behalf of Hembla. As no material changes in the market environment were identifiable between September 30, 2019, and the acquisition date, only the quantity structure was adjusted to the acquisition date.

The fair value of the loans was determined as the sum of the amounts of future cash flows discounted to the acquisition date using a DCF method. The contractually agreed maturities and the interest and repayment schedules were used to determine the future cash flows of the loans. The yield curve used in the DCF calculation to discount the cash flows consists of a risk-free base curve and a premium for the risk of non-performance ("risk spread").

The assets and liabilities assumed in the course of the business combination had the following preliminary fair values as of the date of first-time consolidation:

in € billion	
Investment properties	3.2
Cash and cash equivalents	0.1
Other assets	0.1
Total assets	**3.4**
Non-derivative financial liabilities	1.8
Deferred tax liabilities	0.3
Fair value of other liabilities	0.1
Total liabilities	**2.2**
Fair value net assets	**1.2**
Consideration	1.9
Goodwill	**0.7**

Goodwill represents benefits from the future cooperation between the Hembla Group and Vonovia through the partial transfer of Vonovia's business strategy, in particular regarding its property and portfolio management strategy for the administration and management of the residential units, the utilization of Vonovia's modernization know-how to further modernize the portfolio and the Value-add strategy with a focus on expanding the value chain.

Since November 2019, the Hembla Group has recognized income from property management in the amount of € 30.4 million, as well as an earnings contribution in terms of earnings before fair value adjustments of investment properties, interest, taxes, depreciation and amortization (EBITDA IFRS) of € 6.6 million. If the Hembla Group had already been fully included in the consolidated Group as of January 1, 2019, it would have contributed to the income from property management in the amount of € 181.2 million and to EBITDA IFRS in the amount of € 67.7 million.

Out of the trade receivables that were acquired, an amount of € 1.5 million is likely to have been uncollectible at the time of acquisition. The gross amount of the acquired trade receivables was € 2.2 million. The net carrying amount, which corresponds to the fair value, was € 0.7 million.

In the 2019 fiscal year, transaction costs related to the acquisition of the Hembla Group in the amount of € 11.0 million were recognized in other operating expenses affecting net income. € 9.7 million of this amount was recognized in other operating expenses and € 1.3 million under other financial income.

A total of 123 foreign companies were newly included in the scope of consolidation as of the date of acquisition.

5 Financial Reporting of Financial Assets and Financial Liabilities

Loans and Receivables

Loans and receivables are first recognized as incurred, other non-derivative financial assets as of the day of trading. The day of trading is the date on which Vonovia becomes a contracting party of the financial instrument. All financial instruments are initially measured at fair value, taking account of transaction costs. A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire, or the financial asset is transferred and Vonovia neither retains control nor retains material risks and rewards associated with ownership of the financial asset.

Loans and receivables are stated at amortized cost using the effective interest method.

Vonovia determines whether there is an objective indication of an impairment at the level of individual financial instruments if they are material, and, for financial instruments for which no impairments have been identified at the level of the individual financial instruments or such impairments are immaterial, grouped according to risk profile. Impairments are identified for individual financial instruments when the counterparty has defaulted or breached a contract or there are indications of risks of impairments due to a rating downgrade and general information (loss event). For groups of financial instruments with similar risks, historical default probabilities in relation to the time overdue are drawn upon (loss event). An impairment is calculated after the occurrence of a loss event as the difference between the carrying amount and the value of the discounted estimated future cash flow. The original effective interest rate is taken as the discount rate. Impairment losses are recognized with effect on net income and offset directly with the carrying amount of the financial instrument. Any interest income on impaired financial instruments is still recognized. If there are indications that the amount of the impairment loss will be smaller, this reduction is credited to the financial instrument affecting net income to the extent that the sum does not exceed the amortized cost that would have been recognized if the impairment had not occurred.

Derivative Financial Instruments

Derivative financial instruments are stated at their fair value on the day of trading when they are recognized for the first time. The fair values of the derivative financial instruments are calculated using standard market valuation methods for such instruments on the basis of the market data available on the valuation date.

With derivatives that are not designated as a hedging instrument in the balance sheet, changes in the fair value are recognized in profit or loss with effect on net income.

The changes to IFRS 9 relating to hedge accounting include, among other things, an expanded range of eligible hedged items, changes regarding the posting approach for certain undesignated value components of hedging instruments, the abolition of the fixed effectiveness ranges and retrospective effectiveness testing as well as the first-time introduction of "recalibration." The less restrictive provisions compared with IAS 39 make it easier to reflect economic risk management in the balance sheet, which can, in turn, reduce artificial volatility in the income statement.

In general, the new provisions set out above will not have any impact on the Vonovia Group.

At the time of initial application of IFRS 9, Vonovia will opt to continue to apply the hedge accounting provisions set out in IAS 39 as opposed to the provisions of IFRS 9. Vonovia will apply this accounting method to all hedge relationships.

Contracts concluded for the purpose of receiving or supplying non-financial items in accordance with the company's expected purchase, sale, or use requirements (own-use contracts) are not recognized as derivative financial instruments, but rather as pending transactions under IAS 37.

With derivatives designated as hedging instruments, the recognition of changes in the fair value depends on the type of hedge:

> With a fair value hedge, the changes in the fair value of the derivative financial instruments and of the underlying hedged items attributable to the hedged risk are recognized affecting net income.
> With a cash flow hedge, the unrealized gains and losses are initially recognized in other comprehensive income to the extent that the hedge is effective. Amounts accumulated in other comprehensive income are reclassified to the income statement at the same time the underlying hedged item affects net income. To the extent that the hedge is ineffective, the change in fair value is immediately recognized in net interest.

Embedded derivative financial instruments that are combined with a non-derivative financial instrument (host contract) to form a hybrid financial instrument are to be separated from the underlying contract pursuant to IFRS 9 as a general rule and accounted for separately if (i) its economic risks and characteristics are not closely related to those of the host contract, (ii) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and (iii) the hybrid instrument is not measured at fair value affecting net income with changes in fair value recognized in the income statement. As soon as the derivative is to be separated from its host contract, the individual components of the hybrid financial instrument are to be accounted for based on the provisions that apply to the individual financial instruments.

In order to measure interest rate swaps, future cash flows are calculated and then discounted. The calculated cash flows result from the contract conditions. The contract conditions regularly refer to the EURIBOR/STIBOR reference rates (3M and 6M EURIBOR/STIBOR). Discounting is based on market interest rate data as of the reporting date for comparable instruments (EURIBOR/STIBOR rate of the same tenor). The fair value contains the credit risk of the interest rate swaps and therefore allows for adjustments for the company's own credit risk or for the counterparty credit risk.

To measure the cross currency swaps, future cash flows are calculated and then discounted. The calculated cash flows result from the contract conditions and the USD forward rates (development of exchange rates expected by the market). Discounting is based on market interest rate data as of the reporting date for comparable instruments (EURIBOR rate of the same tenor). The fair value contains the credit risk of the cross currency swaps and therefore allows for adjustments for the company's own credit risk or for the counterparty credit risk.

Equity Instruments to Be Recognized at Fair Value in Other Comprehensive Income

In general, the equity instruments to be recognized at fair value in other comprehensive income are shares in companies that were acquired with long-term strategic intentions.

These equity instruments to be recognized at fair value under other comprehensive income are initially stated at their fair value, plus the directly attributable transaction costs. Subsequent measurement is at fair value as a general rule. Changes in the fair value are recognized in other comprehensive income.

The fair value of equity instruments to be recognized at fair value under other comprehensive income is based on quoted market prices as of the reporting date. If these equity instruments are derecognized, the cumulative gain or loss recognized under other comprehensive income is transferred to retained earnings, not affecting net income. Interest on interest-bearing financial instruments of this category is calculated using the effective interest method. Dividends on equity instruments in this category are shown in the income statement.

6 Currency Translation

Accounting Policies

Foreign currency transactions involving Group companies are converted into the functional currency, in accordance with the temporal method, at the exchange rate that applies on the day of the transaction. Monetary balance sheet items denominated in a foreign currency are converted at the exchange rate that applies on each reporting date. Any exchange differences are recognized affecting net income. Non-monetary items that are measured in terms of historical cost are recorded on the reporting date at the exchange rate on the date they were first recognized. Non-monetary items that are measured at fair value are translated on the reporting date using the exchange rate on the date the fair value was determined. Exchange differences relating to non-monetary items are recognized affecting net income insofar as a profit or loss on the corresponding line item is also recognized affecting net income. Otherwise, they are disclosed in other comprehensive income.

The main foreign subsidiaries included in the consolidated financial statements operate their business independently in line with functional theory. The annual financial statements of those subsidiaries whose functional currency is not the euro are converted into the reporting currency using the modified closing rate method. The functional currency of individual foreign units is always the respective local currency. Any resulting exchange differences are disclosed as a separate item in other comprehensive income. When a foreign subsidiary leaves the scope of consolidation, the cumulative exchange differences are reversed and recognized in profit or loss.

Vonovia applies the concept of functional currency translation in accordance with IAS 21 "Effects of Changes in Foreign Exchange Rates" to its consolidated financial statements. The functional currency of Vonovia SE and the reporting currency of the Vonovia Group is the euro.

The exchange rates of the currencies relevant to the Vonovia Group have developed as follows:

	Closing rate		Average for period	
Basis: € 1	**Dec. 31, 2018**	**Dec. 31, 2019**	**2018**	**2019**
HUF – Hungarian forint	320.98	324.34*	318.89	320.01*
SEK – Swedish krona	10.25	10.45	10.36**	10.59
UAH – Ukrainian hryvnia	32.79***	–	32.18***	–
USD – US dollar	1.15	1.12	1.18	1.12

* The exchange rate and the average for the period for the Hungarian forint for 2019 have been fixed for and until May 31, 2019, as the companies ceased to be included in the scope of consolidation on May 31, 2019.
** The average for the period for the Swedish krona for 2018 is calculated for the period from July 1 to December 31, 2018, as Vonovia's Swedish subsidiary was only included in the consolidated financial statements as of June 30, 2018.
*** The exchange rate and the average for the period for the Ukrainian hryvnia for 2018 have been fixed for and until September 30, 2018, as the company was sold as of September 30, 2018.

7 Government Grants

Accounting Policies

Government grants are recognized when there is reasonable assurance that the relevant conditions will be fulfilled and that the grants will be awarded.

Government grants that do not relate to investments are regularly recognized as income in the periods in which the relevant expenses are incurred.

Expenses subsidies granted in the form of rent, interest and other expenses subsidies are recorded as income in the periods in which the expenses are incurred and shown within other income from property management.

The low-interest loans are grants from public authorities that – insofar as the company received them as part of a business combination – are recorded at present value. The difference between face value and present value is recognized with an effect on net income over the maturity term of the corresponding loans.

New expenses loans or low-interest loans are initially recognized at their present value within the non-derivative financial liabilities on the basis of the market interest rate at the time the loans are taken out. The difference between the face value and the present value of the loan is recognized as deferred income. Reversal occurs, in principle, with an effect on net income in line with the length of the fixed-interest-rate period of the relevant loans. In cases where the low-interest loans are issued as part of capitalized modernization measures, the difference between the face value and the present value of the loan is deducted from the capitalized acquisition cost. In subsequent measurements, the loans are measured at amortized cost.

The companies that belong to the Group receive government grants in the form of construction subsidies, expenses subsidies, expenses loans and low-interest loans. In the 2019 fiscal year, Vonovia was granted low-interest loans of € 444.3 million (2018: € 171.1 million).

8 Changes in Accounting Policies, Estimates, Assumptions, Options and Judgments

Changes in Accounting Policies Due to New Standards and Interpretations

The following new or amended standards and interpretations became mandatory for the first time in the 2019 fiscal year. Other than IFRS 16, none of the other new or amended standards had a material impact.

> Improvements and supplements to a selection of IFRS 2015–2017
> IAS 19 "Employee Benefits"
> IAS 28 "Investments in Associates and Joint Ventures"
> IFRS 9 "Financial Instruments"
> IFRS 16 "Leases"
> IFRIC 23 "Uncertainty over Income Tax Treatments"

IFRS 16

Vonovia applied the new leasing standard IFRS 16 for the first time as of January 1, 2019, based on the modified retrospective method provided for in the transitional provisions. Based on these provisions, the cumulative effect resulting from the initial application of IFRS 16 was recognized as an adjustment to the value of retained earnings/non-controlling interests in the opening balance sheet. Comparative information has not been adjusted.

As of January 1, 2019, total lease liabilities of € 335.1 million and total right-of-use assets in the amount of € 1,032.1 million were recognized. The weighted average incremental borrowing rate for all lease liabilities to be recognized amounts to 2.3% as of January 1, 2019.

The difference between lease liabilities and right-of-use assets was largely due to the fair value measurement of the right-of-use assets from leasehold contracts under IAS 40. Inheritable building rights previously included in investment properties were reclassified to right-of-use assets within investment properties in the amount of € 732.0 million.

The remaining cumulative effect resulting from the initial application of IFRS 16 has been recognized as an adjustment of the value of retained earnings/non-controlling interests in the opening balance sheet in the amount of € -35.0 million (€ -24.1 million including deferred taxes). The effect results from the differences in the discounting of right-of-use assets and lease liabilities in connection with leasehold contracts. Due to the IAS 40 measurement of the right-of-use assets under leasehold contracts, the fair value of the right-of-use assets is calculated using property-specific discount rates. The lease liabilities from leasehold contracts, on the other hand, are calculated with the help of term-specific incremental borrowing rates.

in € million	
Right-of-use assets within investment properties	949.9
Right-of-use assets within property, plant and equipment	82.2
Right-of-use assets as of Jan. 1, 2019	1,032.1
Lease liabilities as of Jan. 1, 2019	-335.1
Fair value of leasehold contracts within investment properties as of Jan. 1, 2019	-732.0
Cumulative effect as of Jan. 1, 2019 applying IFRS 16 (before taxes)	-35.0
Deferred taxes resulting from the initial application of IFRS 16	10.9
Cumulative effect as of Jan. 1, 2019 applying IFRS 16 (after taxes)	**-24.1**

The newly added lease liabilities in the amount of € 335.1 million are reported under **liabilities from leasing** and were largely attributable to leasehold contracts in the amount of € 251.6 million. The majority of the newly added right-of-use assets are reported under **investment properties** and result not only from interim lease agreements (€ 1.4 million) but primarily from leasehold contracts (€ 948.5 million). The other right-of-use assets totaling € 82.2 million are reported under **property, plant and equipment** and largely include right-of-use assets resulting from the rental of land for the construction of a commercial property to be used by the company itself (€ 26.5 million), from rental agreements that have been concluded (€ 22.8 million), from heating supply contracts (€ 16.5 million) and from vehicle lease contracts (€ 11.8 million).

Fixed-term heating supply contracts and the Spree-Bellevue property, which had been recognized as finance leases in accordance with the provisions set out in IAS 17 up until December 31, 2018, have been recognized in accordance with the provisions set out in IFRS 16 since January 1, 2019. At the time of the transition, the right-of-use assets and lease liabilities resulting from the aforementioned agreements were stated at their present values as of December 31, 2018 (right-of-use assets: € 75.7 million; lease liabilities: € 99.4 million).

Cumulative Effect from the Initial Application of IFRS 16 within Retained Earnings/Non-controlling Interests as of January 1, 2019

in € million	
Present value of the lease payments as of Dec. 31, 2018	343.1
Leases expired in 2019 (short-term)	-2.9
Leases not classified as leases pursuant to IFRS 16	-5.1
Present value of operating lease liabilities as of Jan. 1, 2019	335.1
Obligations under finance leases as of Jan. 1, 2019	99.4
Present value of total lease liabilities as of Jan. 1, 2019 pursuant to IFRS 16	**434.5**

The present value of the lease obligations, pursuant to IAS 17, reported in the Notes to the consolidated financial statements as of December 31, 2018 deviates from the present value of the lease liabilities to be recognized as of January 1, 2019 pursuant to IFRS 16. This deviation in value is due to leases that expired in 2019 (short-term) and particularly due to those lease agreements that are not classified as leases under the right-of-use model pursuant to IFRS 16.

IFRIC 23

IFRIC 23 clarifies how the recognition and measurement requirements of IAS 12 are applied when there is uncertainty over income tax treatments. Recognition and measurement require estimates and assumptions, e. g., whether an assessment is performed separately or together with other uncertainties, whether a probable amount or expected value is used for the uncertainty and whether there have been changes compared with the previous period. The risk of detection is irrelevant with regard to the recognition of uncertain balance sheet items. Recognition assumes that the taxation authorities will examine the matter in question and will have full knowledge of all relevant information. In this regard, it is important to note that it is difficult to predict how tax authorities in Germany and abroad will evaluate these scenarios. The initial application of IFRIC 23 has not resulted in any changes in the consolidated financial statements compared with the previous period.

New Standards and Interpretations Not Yet Applied

Application of the following standards, interpretations and amendments to existing standards was not yet mandatory for the 2019 fiscal year. Vonovia also did not choose to apply them in advance. Their application will be mandatory for the fiscal years following the dates stated in the following table:

Relevant New Standards, Interpretations and Amendments to Existing Standards and Interpretations		Effective date for Vonovia
Amendment to References to the Conceptual Framework in IFRS Standards		Jan. 1, 2020
Amendments to Standards		
IAS 1 and IAS 8	„Presentation of Financial Statements“ and „Accounting Policies, Changes in Accounting Estimates and Errors“	Jan. 1, 2020
IAS 39, IFRS 7 and IFRS 9	“Financial Instruments: Presentation”, “Financial Instruments: Recognition and Measurement” and “Financial Instruments”	Jan. 1, 2020*
IFRS 3	“Business Combinations”	Jan. 1, 2020*
New Standards		
IFRS 17	“Insurance Contracts”	Jan. 1, 2021*

* Not yet endorsed.

Estimates and Assumptions

To a certain extent, the preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the reporting date as well as reported amounts of income and expenses during the reporting year. The actual amounts may differ from the estimates as the business environment may develop differently than assumed. In this case, the assumptions and, where necessary, the carrying amounts of the assets or liabilities affected are prospectively adjusted accordingly. Specific estimates and assumptions relating to individual elements of financial statements are also explained in the corresponding notes to the consolidated financial statements.

Assumptions and estimates are reviewed on an ongoing basis and are based on experience and other factors, including expectations regarding future events that appear reasonable under the given circumstances.

The estimates and assumptions that may have a material risk of causing an adjustment to the carrying amounts of assets and liabilities mainly relate to the determination of the fair value of investment properties.

The best evidence of fair value of investment properties is current prices in an active market for comparable residential properties. As such information is not completely available, however, Vonovia uses standard valuation techniques.

A detailed description of the discounted cash flow (DCF) method used can be found in chapter [D28] Investment Properties.

In accordance with IAS 40 in conjunction with IFRS 13, the respective market values of the investment properties owned by Vonovia are determined for accounting purposes. Changes in certain market conditions such as prevailing rent levels and vacancy rates may affect the valuation of investment properties. Any changes in the fair value of the investment portfolio are recognized as part of the profit for the period in the Group's income statement and can thus substantially affect Vonovia's results of operations.

The statement of financial liabilities at amortized cost using the effective interest method takes the expected contractual cash flows into account. In some cases, the agreements do not have any fixed maturity terms. As a result, the cash flows included in the valuation are subject to management assumptions in terms of amount and term.

As explained in chapter [D26] Intangible Assets, Vonovia checks for goodwill impairments on an annual basis, or if there is any reason to suspect such impairments. The next step involves estimating the recoverable amount of the group of cash-generating units (CGU). This corresponds to either the fair value less costs of sale or the value in use, whichever is higher. Determining the value in use includes adjustments and estimates regarding the forecast and discounting of the future cash flow. Although the management believes that the assumptions used to determine the recoverable amount are appropriate, any unforeseeable changes in these assumptions could result in impairment losses, with a detrimental impact on the net assets, financial position and results of operations.

When determining the volume of current and deferred taxes, the Group takes into account the effects of uncertain tax items and whether additional taxes and interest may be due. This assessment is made on the basis of estimates and assumptions and may contain a number of judgments about future events. New information may become available that causes the Group to change its judgments regarding the appropriateness of existing tax liabilities; such changes to tax liabilities will affect the tax expense in the period in which such a change is made.

Deferred tax assets are recognized to the extent that it can be demonstrated that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that there will be sufficient future taxable profits to realize the tax benefit in the future.

As part of the application of IFRS 15, the determination of the time at which a performance obligation is satisfied and the determination of the progress made in cases involving revenue recognition over time may involve discretionary judgment.

Additional estimates and assumptions mainly relate to the uniform definition of useful lives, the assumptions made on the value of land and buildings, the recognition and measurement of provisions as well as the realization of future tax benefits.

Options and Judgments

Options exercised and judgments made by Vonovia's management in the process of applying the entity's accounting policies that may have a significant effect on the amounts recognized in the consolidated financial statements include the following:

> Determining whether the acquisition of investment properties as part of a business combination constitutes the acquisition of a "business" or the acquisition of an individual asset or group of assets can involve discretionary judgments.

> Vonovia measures investment properties at fair value. If management had opted to use the cost model as permitted under IAS 40, the carrying amounts of the investment properties as well as the corresponding income and expense items in the income statement would differ significantly.

> The criteria for assessing in which category a financial asset is to be classified may involve discretionary judgments.

> Within the scope of revenue recognition in accordance with IFRS 15, discretionary decisions relating to the expected revenue, the total costs of a project and the degree of completion may be necessary. These have an impact on the amount and timing of revenue.

> When accounting for leases in accordance with IFRS 16, the assessment of the exercise or non-exercise of unilaterally granted termination or extension options may involve discretionary judgment, particularly if there is no economic incentive for the exercise or non-exercise of options.

> The need to include information concerning the future in the valuation of expected defaults results in discretionary decisions regarding the impact that changes in economic factors will have on the expected defaults.

> The decision on how to define a group of cash-generating units to which goodwill is allocated may involve discretionary judgments.

> Allocating the goodwill to the group of individual cash-generating units may also involve discretionary judgments. The parameters used in the impairment test, such as the determination of undiscounted cash flows, the weighted average cost of capital and the growth rate, may also involve discretionary judgments. Due to a lack of any detailed definition of the term "operation" (IAS 36.86), the disposal of goodwill within the context of real estate sales may involve discretionary decisions.

> Due to a lack of any detailed definition of the term "a separate major line of business or geographical area of operations" (IFRS 5), a disposal group within the context of real estate sales may involve discretionary decisions.

> At the moment, there are no definitive provisions on how to reflect a mandatory acquisition of non-controlling interests following the acquisition of control as part of a voluntary public takeover offer. In general, the acquisition of shares as part of a public offer during the second offer period is based on exactly the same conditions as those that applied in the first offer period, and the two acquisitions are closely related in terms of content and timing. This means that, even if it is executed in two offer periods, the acquisition constitutes one and the same transaction (linked transaction). Following the completion of the later acquisition, the original purchase price allocation is to be adjusted with retroactive effect from the acquisition date, resulting in a change in the consideration transferred, the fair value of net assets transferred and, consequently, the resulting goodwill.

9 Subsequent Events

The second acceptance deadline extended as part of the purchase of Hembla ended on January 8, 2020. During this acceptance period, the offer was accepted by additional shareholders of Hembla, who held a total of 1,204,821 Class B Hembla shares, representing approximately 1.0% of the total voting rights and approximately 1.3% of the share capital. Following the expiry of the extended acceptance deadline and the settlement on January 9, 2020, HomeStar holds a total of 6,136,989 Class A shares and 82,487,247 Class B shares, which corresponds to approximately 96.3% of the total voting rights and approximately 95.4% of the share capital in Hembla. In addition, a further 242,333 class B shares had been acquired on the market by February 25, 2020. As part of the delisting process, the last day of trading for Hembla shares on Nasdaq Stockholm was January 10, 2020.

Via its Dutch subsidiary Vonovia Finance B.V., Vonovia increased the EMTN bond of € 500 million that runs until March 2026 by € 200 million with effect from January 30, 2020. Vonovia Finance B.V. took out in February 2020 secured financing for Vonovia of over € 300 million with Landesbank Baden-Württemberg with a term of ten years.

At the end of January 2020, the Berlin House of Representatives passed the Act on Rent Controls in the Housing Sector in Berlin (referred to in short as "rent freeze"). This came into force in February 2020. Since the constitutionality of the law is disputed, several complaints have already been announced, including a complaint before the Federal Constitutional Court. A judicial review can be expected.

The law provides for a rent freeze for five years, whereby the effective rent that was agreed up until June 18, 2019, in accordance with the German Civil Code may not be exceeded. Exceptions pertain to new buildings constructed from 2014 onwards, housing provided by social organizations, publicly funded new housing construction, residential homes and uninhabitable housing that is renovated and again made habitable. A regulation on rent ceilings has also been created. These ceilings range from 3.92 to 9.80 €/m² and are essentially based on the rents in the Berlin rent indices from 2013. A rent that exceeds these ceilings is also to be generally reduced to the permissible level, which is to be done nine months after the law comes into force. Modernizations, including necessary energy-efficiency refurbishment, may only be passed on in the amount of 1.00 €/m².

There is a risk that, depending on the constitutionality of the rent freeze in particular, future rental income or rental development could be reduced, with a knock-on effect on fair values. The potential implications can be estimated via the sensitivities shown in the notes to the consolidated financial statements. Likewise, it cannot be ruled out that a decline in the vacancy rate and fluctuation as well as lower return requirements of investors (yield compression) will have a compensatory effect on fair values. There is no evidence of any impact on fair values at present.

Section (B): Profit for the Period

The figures from the previous year are only comparable to a limited extent due to acquisitions made in the previous year.

Accounting Policies

Income from property management includes income from the rental of investment properties and assets held for sale which is recognized, net of discounts, over the duration of the contracts when the remuneration is contractually fixed or can be reliably determined and collection of the related receivable is probable.

In Vonovia's financial statements, the corresponding income for all the services for **ancillary costs** performed by the end of the year is also recognized in the year in which the service is performed. This amount is recognized on a non-netted basis using the principal method, in particular due to Vonovia's business model, which provides for a large proportion of services relevant to ancillary costs being performed by Vonovia itself as Vonovia is considered by the tenant to be the primary party responsible for providing the service. For all services that it does not perform itself, Vonovia also bears an inventory risk due to the settlement method (based on rentable area), as is standard practice in the real estate sector.

Income from **real estate sales** is recognized as soon as the material risks and rewards of ownership have been transferred to the buyer and Vonovia has no substantial further obligations. As far as any remaining obligations are concerned, a provision is recognized for the probable risk.

Expenses are recognized when they arise or at the time they are incurred. Interest is recognized as income or expense in the period in which it is incurred using the effective interest method.

10 Income from Property Management

in € million	2018	2019
Rental income	1,897.8	2,077.9
Ancillary costs	750.1	762.9
Income from property letting	2,647.9	2,840.8
Other income from property management	60.3	69.9
	2,708.2	**2,910.7**

11 Profit on Disposal of Properties

in € million	2018	2019
Income from disposal of investment properties	761.4	227.1
Carrying amount of investment properties sold	-597.6	-158.0
Profit on disposal of investment properties	163.8	69.1
Income from sale of assets held for sale	336.1	283.6
Retirement carrying amount of assets held for sale	-336.1	-283.6
Revaluation of assets held for sale	68.5	59.7
Profit on disposal of assets held for sale	68.5	59.7
	232.3	**128.8**

The fair value adjustment of residential properties held for sale, for which a purchase contract had been signed but transfer of title had not yet taken place, led to a gain of € 59.7 million as of December 31, 2019 (2018: € 68.5 million).

12 Profit on disposal of Real Estate Inventories (development)

Accounting Policies

Income from disposal of real estate inventories (Development) are realized either over time or at a specific point in time as soon as the customer obtains control over the asset in question. If, upon conclusion of the certified purchase agreement, control within the meaning of IFRS 15.35(c) passes to the customer before or during the construction phase, the revenue is to be recognized as of this point in time based on the degree of completion of the construction project. Disclosure of the contract assets that fall within the scope of IFRS 15 occurs on a net basis with the corresponding advance payments received under trade receivables.

Contractual balances with an expected term of less than one year are not adjusted to reflect the time value of money.

No separate agreements are reached, in the contracts on the sale of apartments as part of the development business, on extraordinary rights of return or rescission, meaning that such rights are based on the relevant legal provisions. The same applies to warranty commitments, which are not to be treated as a separate contractual component within the meaning of IFRS 15 as a result. Existing warranty claims are always accounted for in line with the provisions of IAS 37.

In accordance with IFRS 15.94, costs for the initiation of the contracts with customers are recognized as an expense as soon as they are incurred, as the depreciation period generally would not amount to more than a year. Building-related measures relate, in particular, to large-scale modernization measures.

In cases involving **revenue recognition over time**, the percentage of completion/progress made has to be assessed. Vonovia uses the cost-to-cost method, as an input-based procedure, for this purpose. The progress made is determined based on the ratio of the capitalized contract costs incurred up until the reporting date to the estimated total contract costs that can be capitalized.

Income from the disposal of real estate inventories (Development) in the amount of € 249.5 million (2018: € 225.1 million) comprises € 183.3 million (2018: € 167.0 million) in period-related income from the disposal of real estate inventories together with € 66.2 million (2018: € 58.1 million) in time-related income from the disposal of real estate inventories. As of the reporting date, contract assets of € 59.4 million (2018: € 112.5 million) are recognized within trade receivables in connection with the period-related revenue recognition. As of the reporting date, this amount includes advance payments received of € 114.2 million (2018: € 73.0 million).

A transaction price of € 59.0 million (2018: € 59.4 million) has been allocated to the remaining performance obligations that had not yet been satisfied (in full) at the end of the current reporting period. These amounts are expected to be recognized, affecting net income, within the next three fiscal years, with an amount of € 45.4 million attributable to 2020, an amount of € 9.3 million to 2021 and an amount of € 4.3 million to 2022.

13 Net Income from Fair Value Adjustment of Investment Properties

Investment properties in the German and Austrian portfolios are measured by the in-house valuation department according to the fair value model. Any gains or losses from a change in fair value are recognized in the income statement. External appraisers are responsible for the valuation of the portfolios in Sweden. The measurement of the investment properties led to a net valuation gain during the 2019 fiscal year of € 4,131.5 million (2018: € 3,517.9 million). The high valuation result for 2019 is mainly due, in addition to the investment activity and strong development of Vonovia's operating business, to the dynamic market conditions for residential properties at the moment. These are reflected both in rental price developments and, in particular, also in an increase in real estate purchase prices triggered, among other things, by yield compression on the demand side.

14 Capitalized Internal Expenses

Capitalized internal expenses in the fiscal year amount to € 687.2 million (2018: € 608.2 million) and mainly relate to the expenses of the Group's own craftsmen's organization contained in the capitalized modernization costs as well as the management costs for major modernization projects.

15 Cost of Materials

in € million	2018	2019
Expenses for ancillary costs	702.9	729.2
Expenses for maintenance and modernization	572.3	628.9
Other cost of purchased goods and services	105.8	104.9
	1,381.0	**1,463.0**

16 Personnel Expenses

in € million	2018	2019
Wages and salaries	423.3	436.7
Social security, pensions and other employee benefits	89.8	99.0
	513.1	**535.7**

The personnel expenses include expenses for severance payments in the amount of € 3.1 million (2018: € 6.8 million), allocations to the provisions for pre-retirement part-time work arrangements in the amount of € 2.3 million (2018: € 3.0 million) and expenses for the long-term incentive plan (LTIP) at € 15.3 million (2018: € 7.2 million) (see chapter [E38] Provisions).

In the fiscal year under review, employers' contributions to statutory pension insurance amounted to € 37.9 million (2018: € 33.2 million).

As of December 31, 2019, Vonovia had 10,345 employees (Dec. 31, 2018: 9,923) with the annual average coming to 10,114 employees (2018: 9,757). Vonovia also employed 473 apprentices as of December 31, 2019 (Dec. 31, 2018: 485).

17 Other Operating Income

in € million	2018	2019
Compensation paid by insurance companies	49.5	46.3
Reversal of provisions	27.6	16.9
Compensation for damages and cost reimbursements	10.7	12.1
Dunning and debt collection fees	7.4	6.2
Reversal of impairment losses	3.7	1.8
Miscellaneous	33.3	22.4
	132.2	**105.7**

18 Other Operating Expenses

in € million	2018	2019
Consultants' and auditors' fees	80.1	64.2
Vehicle and traveling costs	42.2	35.2
Communication costs and work equipment	24.7	21.0
Rents, leases and ground rents	28.8	16.5
Advertising costs	10.8	13.6
Administrative services	10.8	12.8
Additions to provisions	10.8	9.6
Insured losses	5.0	7.0
Non-capitalizable expenses from real estate development	3.8	5.7
Costs of sale associated with real estate inventories	3.1	5.7
Sales incidentals	2.8	5.6
Impairment losses	1.8	4.7
Dunning and debt collection fees	4.8	3.9
Legal and notary costs	2.3	2.8
Miscellaneous	68.2	87.0
	300.0	**295.3**

19 Financial Income

in € million	2018	2019
Income from non-current securities and non-current loans	2.2	1.9
Other interest and similar income	3.6	7.0
	5.8	**8.9**

20 Financial Expenses

The interest expenses mainly relate to interest expense on financial liabilities measured at amortized cost as well as prepayment penalties for financing measures.

in € million	2018	2019
Interest expense from non-derivative financial liabilities	350.9	349.7
Swaps (current interest expense for the period)	15.4	17.2
Effects from the valuation of non-derivative financial instruments	14.9	-18.9
Effects from the valuation of swaps	15.4	17.9
Prepayment penalties and commitment interest	8.4	28.1
Interest accretion to provisions	9.1	10.0
Interest from leases	5.6	14.0
Other financial expenses	1.1	-0.5
	420.8	**417.5**

The prepayment penalties include the fees for the unscheduled repayment of loans during the fixed interest period.

A reconciliation of net interest to net interest to be classified in accordance with IFRS 9 is shown in the following table:

in € million	2018	2019
Interest income	5.8	8.9
Interest expense	-420.8	-417.5
Net interest	-415.0	-408.6
Less:		
Net interest from provisions for pensions in acc. with IAS 19	8.6	8.6
Net interest from other provisions in acc. with IAS 37	0.5	1.4
Net interest from leases	5.6	14.0
Net interest to be classified	**-400.3**	**-384.6**

The net interest classified pursuant to IFRS 9 is as follows:

in € million	2018	2019
Financial assets measured at (amortized) cost	5.7	8.9
Derivatives measured at FV through P&L	-30.8	-35.1
Financial liabilities measured at (amortized) cost	-375.2	-358.4
Classification of net interest	**-400.3**	**-384.6**

21 Other Financial Result

in € million	2018	2019
Result from currency translation	-12.0	37.2
Income from other investments	23.1	11.8
Transaction costs	-14.2	-22.9
Purchase price liabilities from put options/rights to reimbursement	1.1	-2.1
Miscellaneous other financial result	–	–
	-2.0	**24.0**

The currency effects relate primarily to the financing relationships with Swedish subsidiaries.

The income from investments includes financial income resulting from the collection of profits from the investment in AVW GmbH & Co. KG, Hamburg, in the amount of € 8.2 million (2018: € 7.6 million) for the previous fiscal year in each case.

It also comprises financial income from investments in other residential real estate companies in the amount of € 1.7 million (2018: € 14.0 million). Due to the sale of the shares in Deutsche Wohnen SE with effect from February 1, 2019 there is no longer any corresponding income from this investment in the reporting year to match the dividend of € 13.5 million received in the previous year.

22 Income Taxes

Accounting Policies

Income taxes for the current and prior fiscal years are recognized as current income tax liabilities to the extent that they have not yet been paid.

Deferred tax assets and liabilities are recognized using the liability method under the temporary concept, providing for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets are only recognized for temporary differences and on loss carryforwards to the extent that there are deferred tax liabilities that can be netted against them – regarding deferred tax assets on loss carryforwards taking the minimum taxation into account – or, based on the predictable profits in the foreseeable future, it can be verified that they will be realized.

Deferred tax assets and liabilities are not recognized where the temporary difference arises from initial recognition of goodwill in connection with a business combination or the initial recognition (other than a business combination) of other assets and liabilities in a transaction that neither affects taxable income nor net income.

The carrying amount of a deferred tax asset is reviewed at each reporting date. If necessary, the carrying amount of the deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profit will be available in the future.

Deferred taxes are measured at the tax rates that apply, or are expected to apply, to the period when the tax asset is realized or the liability is settled based on the current legislation in the countries in question. As in 2018, the combined tax rate of corporate income tax and trade tax of 33.1% was used to calculate domestic deferred taxes for 2019. The corporate income tax rate for the companies based in Austria is 25.0%, while the rate for companies based in Sweden is 20.6%.

Deferred tax assets and liabilities are netted against each other only if Vonovia has a legally enforceable right to set off the recognized amounts, when the same tax authority is involved and when the realization period is the same. In accordance with the regulations of IAS 12 "Income Taxes," deferred tax assets and liabilities are not discounted.

in € million	2018	2019
Current income tax	75.1	55.2
Prior-year current income tax	-15.2	1.6
Deferred tax – temporary differences	1,436.8	1,861.0
Deferred tax – unutilized loss carryforwards	-25.2	-73.2
	1,471.5	**1,844.6**

The current tax expense is determined on the basis of the taxable income for the fiscal year. For the 2019 fiscal year, the combined tax rate of corporate income tax and solidarity surcharge for domestic companies is 15.8% (2018: 15.8%). Including trade tax at a rate of about 17.3% (2018: 17.3%), the combined domestic tax rate is 33.1% in 2019 (2018: 33.1%). The corporate income tax rate for the companies based in Austria is 25.0% (2018: 25.0%), while the rate for companies based in Sweden is 21.4% (2018: 22.0%). The income generated by Vonovia Finance B.V. is subject to Dutch tax law; current taxes of € 3.1 million were incurred there (2018:

€ 3.1 million). The other companies that hold properties and are based in the Netherlands have limited corporation tax liability in Germany. These companies, together with the other foreign companies, pay tax that is of a negligible amount from the Group's perspective in the countries in which they are domiciled.

Anticipated effects of the so-called extended trade tax exemption on trade tax are taken into account when the deferred taxes are determined. Due to the discontinuation of the extended trade tax exemption at a series of BUWOG companies, deferred tax liabilities are also subject to trade tax there, unlike in the previous year. This effect creates a deferred tax expense of € 191.0 million (2018: € 29.5 million).

For deductible temporary differences (excl. loss carryforwards) in the amount of € 16.9 million (Dec. 31, 2018: € 15.2 million), no deferred corporate income taxes or deferred trade taxes were recognized because they are not likely to be used in the future.

As of December 31, 2019, there were corporate income tax loss carryforwards amounting to € 4,040.4 million (Dec. 31, 2018: € 3,949.5 million), as well as trade tax loss carryforwards amounting to € 2,242.8 million (Dec. 31, 2018: € 2,122.5 million), for which deferred tax assets have been recognized to the extent that their realization is sufficiently probable. As of December 31, 2019, there were corporate income tax loss carryforwards abroad amounting to € 690.9 million (Dec. 31, 2018: € 353.1 million), as well as trade tax loss carryforwards amounting to € 15.4 million (2018: € 14.4 million), for which deferred tax assets have also been recognized to the extent that their realization is sufficiently probable. The increase in tax loss carryforwards resulted from current tax losses at individual companies and from the business combination with the Hembla Group.

No deferred taxes were recognized in the balance sheet for domestic and foreign corporate income tax loss carryforwards amounting to € 880.3 million (Dec. 31, 2018: € 1,010.1 million). Of this amount, € 20.0 million arose for the first time in the 2019 fiscal year (2018: € 30.6 million). Under current tax law, these loss carryforwards are not subject to restrictions either with regard to time or the amount of the loss carryforward. The fact that no deferred tax assets were recognized on the new corporate income tax loss carryforwards results in a tax effect of € 3.6 million (2018: € 5.4 million). In addition, there are further trade tax loss carryforwards subject to no restrictions with regard to how they can be carried forward in the amount of € 559.9 million in total (Dec. 31, 2018: € 660.6 million). These did not give rise to any deferred tax assets. Of this amount, € 12.2 million arose for the first time in the 2019 fiscal year (2018: € 29.4 million) and the resulting tax effect is € 2.0 million (2018: € 4.6 million).

The remeasurement of deferred tax assets on temporary differences and loss carryforwards from the previous year led to tax income amounting to € 22.6 million in the 2019 fiscal year (2018: € 10.0 million).

Deferred taxes on interest carryforwards are recognized if the interest carryforward is likely to be able to be used in the future. Due to the Group's capital structure, no interest carryforwards are likely to be able to be used in the future. As a result, no deferred tax assets have been recognized on interest carryforwards in the amount of € 919.9 million (Dec. 31, 2018: € 820.2 million). Of this amount, € 150.7 million (2018: € 144.7 million) arose for the first time in the 2019 fiscal year. The fact that no deferred tax assets were recognized on the new interest carryforward generated a tax effect of € 50.0 million in Germany (2018: € 47.9 million). Sweden has a regulation similar to the German interest threshold since 2019. As a result, no deferred tax assets have been recognized on interest carryforwards in the amount of € 47.6 million in Sweden. € 20.6 million of this amount arose for the first time in the 2019 fiscal year due to the Hembla Group only being included in November and December 2019. The fact that no deferred taxes were recognized generated a tax effect of € 4.2 million in Sweden.

A reconciliation between actual income taxes and expected tax expense, which is the product of the accounting profit for the period multiplied by the average tax rate applicable in Germany, is shown in the table below.

in € million	2018	2019
Earnings before tax	3,874.4	3,138.9
Income tax rate in %	33.1	33.1
Expected tax expense	1,282.4	1,039.0
Trade tax effects	-7.6	161.6
Non-deductible operating expenses	18.4	55.8
Tax-free income	-19.8	-49.4
Change in the deferred tax assets on loss carryforwards and temporary differences	-10.0	-22.6
New loss and interest carryforwards not recognized	57.8	59.8
Prior year income tax and taxes on guaranteed dividends	-10.8	-22.8
Tax effect goodwill impairment	225.5	697.3
Differing foreign tax rates	-30.8	-68.1
Other tax effects (net)	-33.6	-6.0
Effective income taxes	**1,471.5**	**1,844.6**
Effective income tax rate in %	**38.0**	**58.8**

The deferred taxes refer to temporary differences in balance sheet items and unutilized loss carryforwards as follows:

in € million	Dec. 31, 2018	Dec. 31, 2019
Intangible assets	3.6	6.5
Investment properties	4.3	1.8
Assets held for sale	0.6	–
Property, plant and equipment	1.3	35.7
Financial assets	8.7	1.3
Other assets	89.0	101.2
Provisions for pensions	82.6	99.6
Other provisions	17.5	23.5
Liabilities	183.1	134.0
Loss carryforwards	789.5	929.7
Deferred tax assets	**1,180.2**	**1,333.3**

in € million	Dec. 31, 2018	Dec. 31, 2019
Intangible assets	22.4	19.4
Investment properties	8,165.1	10,290.7
Assets held for sale	16.2	21.4
Property, plant and equipment	11.1	8.5
Financial assets	–	0.8
Other assets	41.2	118.9
Other provisions	54.9	78.4
Liabilities	47.1	8.0
Deferred tax liabilities	**8,358.0**	**10,546.1**
Excess deferred tax liabilities	**7,177.8**	**9,212.8**

Deferred tax assets and liabilities are netted against each other when the same company and the same tax authority are involved and the realization period is the same. As a result, the following deferred tax assets and liabilities are stated:

in € million	Dec. 31, 2018	Dec. 31, 2019
Deferred tax assets	54.1	59.3
Deferred tax liabilities	7,231.9	9,272.1
Excess deferred tax liabilities	**7,177.8**	**9,212.8**

The increase in deferred tax liabilities can be attributed primarily to investment properties.

The change in deferred taxes is as follows:

in € million	2018	2019
Excess deferred tax liabilities as of Jan. 1	5,312.3	7,177.8
Deferred tax expense in income statement	1,411.7	1,787.7
Deferred tax due to first-time consolidation and deconsolidation	459.0	278.3
Change recognized in other comprehensive income in deferred taxes due to equity instruments measured at fair value	0.9	-4.3
Change recognized in other comprehensive income in deferred taxes on actuarial gains and losses from pensions and similar obligations	-2.7	-17.5
Change recognized in other comprehensive income in deferred taxes on derivative financial instruments	-2.0	0.7
Deferred taxes recognized in equity on accrued capital procurement costs resulting from the issuance of a hybrid bond with an indefinite term	-0.5	-0.2
Deferred taxes recognized in the capital reserve on capital procurement costs of capital increases	-3.6	-2.2
Currency translation	2.4	3.2
Transition to IFRS 16	–	-10.9
Other	0.3	0.2
Excess deferred tax liabilities as of Dec. 31	**7,177.8**	**9,212.8**

No deferred tax liabilities are recognized for profits accumulated at subsidiaries of € 27,785.0 million (Dec. 31, 2018: € 22,416.7 million), as these profits are to remain invested for an indefinite period or are not subject to taxation. In the event of distribution or disposal of the subsidiaries, 5% of the distributed amounts or the capital gains would be subject to German taxation so that there would normally be an additional tax obligation.

Section (C): Other Disclosures on the Results of Operations

23 Segment Reporting

Vonovia is an integrated residential real estate company with operations across Europe. The company's strategy is focused on sustainably increasing the value of the company. This is achieved by managing the company's own portfolio with a view to enhancing its value, investing in existing residential properties in order to create value, building new residential buildings and selling individual apartments, as well as by engaging in active portfolio management and offering property-related services. For the purposes of managing the company, we make a distinction between four segments: **Rental, Value-add, Recurring Sales** and **Development.** We also report the **Other** segment, which is not relevant from a corporate management perspective, in our segment reporting. This includes the disposal, only as and when the right opportunities present themselves, of entire buildings or land (Non-core Disposals) that are likely to have below-average development potential in terms of rent growth in the medium term and are located in areas that can be described as peripheral compared with Vonovia's overall portfolio and in view of future acquisitions.

The **Rental** segment combines all of the business activities that are aimed at the value-enhancing management of our own residential real estate. It includes our property management activities in Germany, Austria and Sweden. The consolidation of our property management activities in Germany, Austria and Sweden to form one single reporting segment is based on the similarities that we see in the property management business in these three countries. This applies to the way in which services are provided and the individual service processes that form part of the property management business, as well as to the customers in the residential rental market and the type of customer acquisition used. Overall, the residential rental market in all three countries is characterized by a shortage of housing and is regulated by statutory requirements, resulting in return expectations that are similar in the long term.

The **Value-add** segment bundles all of the housing-related services that we have expanded our core rental business to include. These services include both the maintenance and modernization work on our residential properties and services that are closely related to the rental business. We allocate the activities relating to the craftsmen's and residential environment organization, the condominium administration business, the cable TV business, metering services, energy supplies and our insurance services to the Value-add segment. Energy supply is a new service that we have been offering our tenants since 2018.

The **Recurring Sales** segment includes the regular and sustainable disposals of individual condominiums and single-family houses from our portfolio. The consolidation of our sales activities in Germany and Austria to form one single reporting segment is based on the similarities that we see in the property management business in these two countries. It does not include the sale of entire buildings or land (Non-core Disposals). These properties are only sold as and when the right opportunities present themselves, meaning that the sales do not form part of the Recurring Sales segment. We report these opportunistic sales in the Other column of the segment report.

The **Development** segment combines cross-country development activities and includes the project development of new residential buildings. The consolidation of our development activities in Germany, Austria and Sweden to form one single reporting segment is based on the similarities that we see in the business in these three countries. The business covers the value chain starting with the purchase of land without any development plan/dedicated purpose and ending with the completion of new buildings and new construction measures on our own properties. These properties are either incorporated into our own portfolio or sold to third parties. The Development segment deals with projects in selected attractive locations. Project development work is currently focusing on Berlin, Hamburg and Vienna. The consolidation of our development activities in Germany, Austria and Sweden to form one single reporting segment is based on the similarities that we see in the business in these three countries. The adjusted EBITDA of the Development segment includes the fair value step-up for properties that were completed in the reporting period and have been added to our own portfolio.

A Group-wide planning and controlling system ensures that resources are efficiently allocated and their successful use is monitored on a regular basis. Reporting to the chief decision-makers and thus the assessment of business performance as well as the allocation of resources are performed on the basis of this segmentation. Asset and liability items are not reported separately by segment. Internal reporting is based on the IFRS reporting standards in general.

The Management Board as chief decision-maker of Vonovia monitors the contribution made by the segments to the company's performance on the basis of the segment revenue as well as the adjusted EBITDA.

The following table shows the segment information for the reporting period:

in € million	Rental	Value-add	Recurring Sales	Develop-ment	Segments total	Other*	Consolida-tion*	Group
Jan. 1 – Dec. 31, 2019								
Segment income	2,074.9	1,677.3	365.1	249.5	4,366.8	145.6	-841.5	3,670.9
thereof external income	2,074.9	248.4	365.1	249.5	2,937.9	145.6	587.4	3,670.9
thereof internal income		1,428.9			1,428.9	–	-1,428.9	
Carrying amount of assets sold			-302.9		-302.9	-138.7		
Revaluation from disposal of assets held for sale			44.5		44.5	13.0		
Expenses for maintenance	-308.9				-308.9			
Production costs development				-197.3	-197.3			
Operating expenses	-328.6	-1,531.0	-14.8	-26.6	-1,901.0	-8.4	797.6	
Net income from fair value adjustments of new construction/ development to hold				58.9	58.9		-58.9	
Adjusted EBITDA Total	1.437.4	146.3	91.9	84.5	1,760.1	11.5	-102.8	1,668.8
Non-recurring items								-93.1
Period adjustments from assets held for sale								2.2
Income from investments in other real estate companies								1.7
EBITDA IFRS								1,579.6
Net income from fair value adjustments of investment properties								4,131.5
Depreciation and amortization								-2,175.8
Income from other investments								-11.8
Interest income								8.9
Interest expenses								-417.5
Other financial result								24.0
EBT								3,138.9
Income taxes								-1,844.6
Profit for the period								**1,294.3**

* The income for the Rental, Value-add, Recurring Sales and Development segments constitutes income that is regularly reported to the Management Board as the chief operating decision-maker and that reflects Vonovia's sustainable business. The income/costs in the "Other" and "Consolidation" columns are not part of the Management Board's segment management.

in € million	Rental	Value-add	Recurring Sales	Develop-ment	Segments total	Other*	Consolida-tion*	Group
Jan. 1 – Dec. 31, 2018								
Segment income	1,894.2	1,462.2	356.1	225.1	3,937.6	741.4	-648.2	4,030.8
thereof external income	1,894.2	203.9	356.1	225.1	2,679.3	741.4	610.1	4,030.8
thereof internal income		1,258.3			1,258.3		-1,258.3	
Carrying amount of assets sold			-298.5		-298.5	-635.2		
Revaluation from disposal of assets held for sale			35.7		35.7	32.3		
Expenses for maintenance	-289.7				-289.7			
Production costs development				-181.8	-181.8			
Operating expenses	-289.4	-1,341.0	-14.2	-22.6	-1,667.2	-9.3	609.4	
Net income from fair value adjustments of new construction/development to hold				18.7	18.7		-18.7	
Adjusted EBITDA Total	1.315.1	121.2	79.1	39.4	1,554.8	129.2	-57.5	1,626.5
Non-recurring items								-106.6
Period adjustments from assets held for sale								0.5
Income from investments in other real estate companies								14.0
EBITDA IFRS								1,534.4
Net income from fair value adjustments of investment properties								3,517.9
Depreciation and amortization								-737.9
Income from other investments								-23.1
Interest income								5.8
Interest expenses								-420.8
Other financial result								-2.0
EBT								3,874.3
Income taxes								-1,471.5
Profit for the period								**2,402.8**

* The income for the Rental, Value-add, Recurring Sales and Development segments constitutes income that is regularly reported to the Management Board as the chief operating decision-maker and that reflects Vonovia's sustainable business. The income/costs in the "Other" and "Consolidation" columns are not part of the Management Board's segment management.

To show the development of operating performance and to ensure comparability with previous periods, we calculate adjusted EBITDA for each of our segments: Rental, Value-add, Recurring Sales and Development. The sum of these key figures produces the Group's Adjusted EBITDA Total. The adjustments made include items that are not related to the period, items that recur irregularly and items that are atypical for business operation. The non-recurring items include the expenses for pre-retirement part-time work arrangements and severance payments, the development of new fields of business and business processes, acquisition projects including integration costs and expenses for re-financing and equity increases (where not treated as capital procurement costs).

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

in € million	2018	2019
Acquisition costs incl. integration costs*	87.8	48.2
Business model optimization/ development of new field of business	0.8	27.6
Severance payments/pre-retirement part-time work arrangements	18.3	13.2
Refinancing and equity measures	-0.3	4.1
Total non-recurring items	**106.6**	**93.1**

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

The breakdown of external revenue from contracts with customers (pursuant to IFRS 15.114f.) and its allocation to the segments referred to above is as follows:

in € million	Rental	Value-add	Recurring Sales	Development	Other	Total
Jan. 1 – Dec. 31, 2019						
Revenue from ancillary costs (IFRS 15)	626.4	0.6	–	0.3	–	627.3
Income from the disposal of investment properties	–	–	184.9	–	42.2	227.1
Income from disposal of real estate inventories (Development)	–	–	–	249.5	–	249.5
Other revenue from contracts with customers	20.3	49.6	–	–	–	69.9
Revenue from contracts with customers	**646.7**	**50.2**	**184.9**	**249.8**	**42.2**	**1,173.8**
thereof period-related				183.6		183.6
thereof time-related	646.7	50.2	184.9	66.2	42.2	990.2
Income from rental income (IFRS 16)	2,074.9	1.9	–	1.1	–	2,077.9
Revenue from ancillary costs (IFRS 16)*	135.6	–	–	–	–	135.6
Income from sale of assets held for sale (IFRS 5)	–	–	180.2	–	103.4	283.6
Other revenue	**2,210.5**	**1.9**	**180.2**	**1.1**	**103.4**	**2,497.1**
Revenues	**2,857.2**	**52.1**	**365.1**	**250.9**	**145.6**	**3,670.9**

* Includes land tax and buildings insurance.

in € million	Rental	Value-add	Recurring Sales	Development	Other	Total
Jan. 1 - Dec. 31, 2018						
Revenue from ancillary costs (IFRS 15)	632.0	0.9	–	–	–	632.9
Income from the disposal of investment properties	–	–	186.0	–	575.4	761.4
Income from disposal of real estate inventories (Development)	–	–	–	225.1	–	225.1
Other revenue from contracts with customers	14.6	45.7	–	–	–	60.3
Revenue from contracts with customers	646.6	46.6	186.0	225.1	575.4	1.679.7
thereof period-related				167.0		167.0
thereof time-related	646.6	46.6	186.0	58.1	575.4	1,512.7
Income from rental income (IFRS 16)	1,894.2	3.6	–	–	–	1,897.8
Revenue from ancillary costs (IFRS 16)*	117.2	–	–	–	–	117.2
Income from sale of assets held for sale (IFRS 5)	–	–	170.1	–	166.0	336.1
Other revenue	2,011.4	3.6	170.1	–	166.0	2,351.1
Revenues	**2,658.0**	**50.2**	**356.1**	**225.1**	**741.4**	**4,030.8**

* Includes land tax and buildings insurance.

External income and non-current assets, excluding financial instruments, deferred taxes, post-employment benefits and rights under insurance contracts, are distributed among Vonovia's country of origin and other countries as follows. The revenue and the assets are allocated based on the registered office of the unit providing the service.

in € million	External income		Assets	
	2018	2019	Dec. 31, 2018	Dec. 31, 2019
Germany	3,598.6	3,087.0	42,670.5	44,969.4
Austria	345.9	415.6	2,789.5	3,067.9
Sweden	59.5	168.1	1,977.0	6,777.8
France	0.0	0.0	87.0	104.1
Other countries	26.8	0.2	61.5	88.1
Total	**4,030.8**	**3,670.9**	**47,585.5**	**55,007.3**

24 Earnings per Share

Accounting Policies

The basic **earnings per share** are calculated by dividing the profit for the period attributable to the shareholders by the weighted average number of ordinary shares in circulation during the reporting period. The diluted earnings per share are obtained by adjusting the profit for the period and the number of outstanding shares on the basis of the assumption that convertible instruments will be converted, options or warrants will be exercised or ordinary shares will be issued under certain conditions. Potential ordinary shares will only be included in the calculation if the conversion into ordinary shares would reduce the earnings per share.

	2018	2019
Profit for the period attributable to Vonovia shareholders (in € million)	2,266.5	1,147.0
Weighted average number of shares	505,720,971	532,734,172
Earnings per share (basic and diluted) in €	**4.48**	**2.15**

At the end of the reporting period, no diluting financial instruments were in circulation. The basic earnings per share correspond to the diluted earnings per share.

25 Management Board's Proposal for the Appropriation of Profit

"The Management Board and the Supervisory Board propose to the Annual General Meeting that, of the profit of Vonovia SE for the 2019 fiscal year of € 912,721,577.83, an amount of € 851,369,569.27 on the 542,273,611 shares of the share capital as of December 31, 2019 (corresponding to € 1.57 per share) be paid as a dividend to the shareholders, and that the remaining amount of € 61,352,008.56 be carried forward to the new account or be used for other dividends on shares carrying dividend rights at the time of the Annual General Meeting and which go beyond those as of December 31, 2019.

As with the 2018 fiscal year, the dividend for the 2019 fiscal year, payable after the Annual General Meeting in May 2020, will again include the option of a non-cash dividend in shares, to the extent that the Management Board and the Supervisory Board consider this to be in the interests of the company and its shareholders."

Section (D): Assets

26 Intangible Assets

in € million	Concessions, industrial property rights, license and similar rights	Self-developed software	Customer relationships and non-competition clause	Trademark rights	Goodwill	Total
Cost						
As of Jan. 1, 2019	68.3	6.7	8.5	66.6	3,860.9	4,011.0
Additions due to business combinations	3.5	–	–	–	744.7	748.2
Additions	17.0	1.5	1.9	–	–	20.4
Disposals	-8.0	–	–	–	–	-8.0
Changes in value from currency translation	0.1	–	–	–	9.1	9.2
Transfers	4.8	-3.1	–	–	–	1.7
As of Dec. 31, 2019	85.7	5.1	10.4	66.6	4,614.7	4,782.5
Accumulated amortization						
As of Jan. 1, 2019	41.6	4.9	2.8	–	1,018.5	1,067.8
Additions due to business combinations	0.7	–	–	–	–	0.7
Amortization in reporting year	11.9	1.3	0.9	–	–	14.1
Impairment	–	–	–	–	2,103.5	2,103.5
Disposals	-8.0	–	–	–	–	-8.0
Transfers	3.5	-3.1	–	–	–	0.4
As of Dec. 31, 2019	49.7	3.1	3.7	–	3,122.0	3,178.5
Carrying amounts						
As of Dec. 31, 2019	36.0	2.0	6.7	66.6	1,492.7	1,604.0
Cost						
As of Jan. 1, 2018	37.3	6.5	12.1	–	2.950.8	3,006.7
Additions due to business combinations	19.6	–	–	66.6	906.4	992.6
Additions	17.5	1.0	–	–	–	18.5
Disposals	-9.6	-0.8	-3.6	–	–	- 14.0
Changes in value from currency translation	–	–	–	–	3.7	3.7
Transfers	3.5	–	–	–	–	3.5
As of Dec. 31, 2018	68.3	6.7	8.5	66.6	3.860.9	4,011.0
Accumulated amortization						
As of Jan. 1, 2018	23.7	3.3	5.3	–	337.3	369.6
Additions due to business combinations	9.1	–	–	–	–	9.1
Additions	15.7	2.4	1.1	–	–	19.2
Impairment	–	–	–	–	681.2	681.2
Disposals	-9.3	-0.8	-3.6	–	–	- 13.7
Transfers	2.4	–	–	–	–	2.4
As of Dec. 31, 2018	41.6	4.9	2.8	–	1.018.5	1,067.8
Carrying amounts						
As of Dec. 31, 2018	26.7	1.8	5.7	66.6	2.842.4	2,943.2

Accounting Policies

Acquired other intangible assets are stated at amortized cost. **Internally generated other intangible assets** are stated at amortized cost provided that the requirements of IAS 38 for the capitalization of internally generated intangible assets are met. Acquired trademark rights that are identified have an indefinite useful life and are subject to regular impairment testing. All of Vonovia's miscellaneous other intangible assets have definite useful lives and are amortized on a straight-line basis over their estimated useful lives. Software and licenses are amortized on the basis of a useful life of three years.

In accordance with IAS 36 "Impairment of Assets," **other intangible assets as well as property, plant and equipment** are tested for impairment whenever there is an indication of an impairment. Impairment testing is performed at least once a year. An impairment loss is recognized when an asset's recoverable amount is less than its carrying amount. If the recoverable amount cannot be determined for the individual asset, the impairment test is conducted on the cash generating unit (CGU) to which the asset belongs. Impairment losses are recognized as expenses in the income statement with effect on net income.

An impairment loss recognized for prior periods is reversed if there has been a change in the estimates used to determine the asset's (or the CGU's) recoverable amount since the last impairment loss was recognized. The carrying amount of the asset (or the CGU) is increased to the newly estimated recoverable amount. The carrying amount is limited to the amount that would have been determined if no impairment loss had been recognized in prior years for the asset (or the CGU).

Customer Relationships and Similar Values

The brand name "BUWOG Group" for the development business was identified within the framework of the purchase price allocation for BUWOG as a material asset with indefinite useful life and still recognized at a value of € 66.6 million.

Goodwill

Accounting Policies

Goodwill results from a business combination and is defined as the amount by which the acquisition costs for shares in a company or group of companies exceed the pro rata net assets acquired. The net assets are the total of the identifiable assets acquired that are valued at fair value in accordance with IFRS 3 as well as the assumed liabilities and contingent liabilities.

Goodwill is not subject to amortization, but rather is subjected to impairment testing on an annual basis. It is also tested for impairment whenever events or circumstances indicating an impairment arise.

The impairment testing of goodwill is performed at the level of cash-generating units (CGUs) or a group of cash-generating units. A cash-generating unit is the smallest group of assets which generates cash inflows that are largely independent of the cash inflows generated by other assets or other groups of assets. Goodwill purchased as part of a business combination is allocated to the CGUs or groups of CGUs that are expected to produce benefits resulting from the synergy effects of the combination.

At Vonovia, each property meets the requirements for classification as a CGU as a general rule. As part of operational management, these properties are grouped first of all to form geographically structured business units and then to form regional business areas. Since the regional business areas are the lowest level within the company at which goodwill is monitored for internal management purposes, the impairment test is performed at business area level and, as a result, in accordance with IAS 36.80 for a group of CGUs. The acquired assets are allocated to the business areas based on the geographical location of the properties. A further group of CGUs for which goodwill is monitored for internal management purposes relates to the Value-add segment (formerly "Value-add Business"). The third group of CGUs to which goodwill is allocated and for which goodwill is monitored for management purposes relates to the Development segment.

The group of CGUs to which goodwill has been allocated are tested for impairment on a regular basis. This involves comparing the recoverable amount with the carrying amount of the group of CGUs. The recoverable amount of the group of CGUs is either its value in use or fair value less costs of sale, whichever is higher. When calculating the value in use, the estimated future cash flows are discounted to their cash value. Discount rates before tax are used that reflect the current market assessment of the interest rate effect and the specific risks associated with the business areas/the Value-add and Development segments.

If goodwill has been allocated to a group of CGUs and its carrying amount exceeds the recoverable amount, the goodwill is to be written down in the amount of the difference in the first instance. Any need for impairment in excess of this amount is distributed among the other assets in the group of CGUs in proportion to their carrying amount. The individual fair value less costs to sell must not be undercut in this regard.

Impairment losses that have been realized as part of the valuation of goodwill are not reversed in the following years.

Groups of Cash-Generating Units

	Rental segment											
in € million	North area	East area	South-east area	West area	Middle area	South area	Central area	Sweden business area	**Value-add segment**	**Develop-ment segment**	**not allocated**	**Group**
Goodwill 2018	333.5	–	435.6	680.8	501.3	290.8	19.2	196.6	278.5	106.1	–	2,842.4
Additions due to business combinations	–	–	–	–	–	–	–	–	–	–	744.7	744.7
Reallocation	73.7	105.2	–	-257.0	–	93.8	-15.7	–	–	–	–	0.0
Disposal due to depreciation	-333.5	-105.2	-435.6	-339.8	-501.3	-384.6	-3.5	–	–	–	–	-2,103.5
Currency translation differences	–	–	–	–	–	–	–	-3.7	–	–	12.8	9.1
Goodwill 2019	73.7	0.0	0.0	84.0	0.0	0.0	0.0	192.9	278.5	106.1	757.5	1,492.7
WACC before tax Dec. 31, 2019 in %	3.8	–	–	3.8	–	–	–	3.8	4.1	4.8	–	–
WACC before tax June 30/July 1, 2019 in %*	4.8	4.8	4.9	4.9	4.9	4.8	4.8	–	–	–	–	–
WACC before tax Dec. 31, 2018 in %	4.5	4.5	4.6	4.6	4.6	4.5	4.5	4.7	5.1	6.6	–	–
Sustainable rate of increase 2019 in %	1.0	–	–	0.9	–	–	–	1.0	1.0	1.0	–	1.0
Sustainable rate of increase 2018 in %	1.0	1.1	1.0	0.8	1.1	1.1	1.0	1.0	1.0	1.0	–	1.0

* No triggering event was identified for Sweden, Value-add or Development, so no WACC was calculated as of the reporting date.

Goodwill came to € 1,492.7 million as of December 31, 2019. This means that goodwill has dropped by € 1,349.7 million compared with December 31, 2018. The change is due to an impairment loss of € 2,103.5 million, an opposing addition through the acquisition of Hembla AB in the amount of € 744.7 million and a positive effect resulting from currency changes affecting the Swedish krona in the amount of € 9.1 million.

Part of the impairment loss in the amount of € 1,901.0 million is a result of the impairment test carried out in the second quarter of 2019. The € 2,258.7 million increase in the value of the real estate portfolio in the first half of the 2019 fiscal year (thereof € 2,056.2 million in Germany), together with the revision of the regional structure within Germany that was carried out with effect from July 1, 2019, constituted a triggering event within the meaning of IAS 36 as of June 30, 2019.

In general, an increase in the value of the real estate portfolio increases the carrying amount of the CGU affected by the measurement, which can, in turn, lead to impairment losses being recognized on the goodwill allocated to the business areas.

Furthermore, due to the revised regional structure, the two business areas Southeast and Middle are no longer included as of July 1, 2019, necessitating a reallocation of the remaining goodwill for the Rental segment among the remaining German business areas North, East, West, South and Central as of July 1, 2019. The reallocation of the German business areas of the Rental segment as of July 1, 2019 resulted in another impairment loss of € 202.5 million being recognized. Goodwill was written off in full for the business areas East, South and Central. In the West area, the remaining goodwill amounts to € 84.0 million as of December 31, 2019, with goodwill of € 73.7 million remaining for the North area.

The values in use as of June 30, 2019 came to € 5.8 billion for the North area, € 3.4 billion for the Southeast area, € 4.8 billion for the West area, € 4.9 billion for the Middle area and € 5.5 billion for the South area. As of July 1, 2019, the values in use came to € 7.8 billion for the East area, € 5.8 billion for the South area and € 0.3 billion for the Central area.

The impairment loss was recognized in the consolidated income statement under under depreciation, amortization and impairment.

The annual impairment test carried out in the fourth quarter of 2019 did not result in the need for any further goodwill impairments.

The preliminary goodwill in the amount of € 757.5 million resulting from the acquisition of Hembla, including exchange rate effects attributable to this acquisition, was not subjected to an impairment test in accordance with IAS 36.84 as of December 31, 2019. The reason is that this amount has not yet been allocated or distributed to the CGU due to the existing uncertainty as to the amount of goodwill. There were no indications as of the reporting date that this goodwill might be impaired, either individually or together with the CGU Sweden (into which it will likely be incorporated).

As part of the impairment test and in accordance with IAS 36.19, first the value in use was calculated based on the Management Board-approved detailed plan with a planning period of five years. This was derived from the five-year plan at Group level approved by the Management Board and the Supervisory Board. The main parameters for calculating the value in use are the sustainable rate of increase, the average total cost of capital (WACC) and the expected cash flows.

The growth rate for the CGUs of the Rental segment was calculated regionally on the basis of in-place rents and limited to 1% for the segment as a whole. With regard to the regional business areas of the Rental segment, the main drivers behind the results of the five-year plan are the increase in gross rental income by an average of 3.3% every year as well as the planned vacancy rate on the level of 2019 at the end of the detailed planning period.

Developments in the Value-add segment are characterized primarily by the extension of existing business areas (craftsmen's organization, multimedia, management of residential property, smart metering, etc.). On the other hand, there is an increase in operating expenses, taking into account the rate of inflation. The development in these values is in line with past experiences of business model development. The cash flows from the last detailed planning year were derived to calculate the perpetual annuity.

The Development segment is characterized by the construction of new buildings for Vonovia's own portfolio and by the sale of properties to third parties. The main drivers of the results in the Development segment are the investment costs, the number of units sold and the sales margin that can be generated.

A constant growth rate of 1% was assumed for the Value-add and Development segments.

The weighted average cost of capital before tax is based on the risk-free interest rate calculated as a three-month average using the Svensson method, a market risk premium and a levered beta. The levered and the equity ratios used are determined on the basis of a peer comparison. In addition, country-specific cost surcharges were calculated for the Sweden business area and the Development segment. The main parameters are shown in the following table:

Parameters for WACC Calculation

Dec. 31, 2019	Rental segment: Germany	Rental segment: Sweden	Value-add segment	Development segment
Risk-free interest rate in %	0.2	0.2	0.2	0.2
Market risk premium in %	7.75	7.75	7.75	7.75
Levered beta	0.52	0.53	0.52	0.62
Country-specific premium in %	–	0.1	–	0.1
June 30/July 1, 2019*				
Risk-free interest rate in %	0.8	–	–	–
Market risk premium in %	7.00	–	–	–
Levered beta	0.64	–	–	–
Country-specific premium in %	–	–	–	–
Dec. 31, 2018				
Risk-free interest rate in %	1.1	1.1	1.1	1.1
Market risk premium in %	7.00	7.00	7.00	7.00
Levered beta	0.53	0.53	0.53	0.91
Country-specific premium in %	–	0.2	–	0.1

* For Sweden, Value-add and Development there was no triggering event, therefore no WACC calculation as of the reporting date June 30, 2019.

An increase in the cost of capital will result in the following need for impairment:

	Rental segment: North area	Rental segment: West area	Rental segment: Sweden business area	Value-add segment	Development segment
Goodwill 2019 in € million	73.7	84.0	192.9	278.5	106.1
Impairment starts with an increase of the WACC in percentage points	0.3	0.4	0.7	8.6	8.3
Full write-off in the event of an increase in the WACC in %	0.3	0.5	0.9	18.0	9.5

If the planned sustainable rate of increase were to decline by 0.50 percentage points, this would result in a full impairment loss of € 73.7 million being recognized against the goodwill remaining in the North business area. In the West area, an impairment loss of € 77.0 million would be recognized if the sustainable rate of increase were to decline by 0.50 percentage points.

In the Sweden business area as well as in the Value-add and Development segments, a 0.50 percentage point drop in the sustainable rate of increase would not result in any goodwill impairment.

27 Property, Plant and Equipment

in € million	Owner-occupied properties	Technical equipment, plant and machinery	Other equipment, fixtures, furniture and office equipment	Right-of-use assets (IFRS 16)	Total
Cost					
As of Jan. 1, 2019	143.8	46.0	130.3	–	320.1
Additions due to business combinations	–	0.6	2.7	–	3.3
Additions of right-of-use assets (IFRS 16)	–	–	–	82.2	82.2
Additions	26.3	5.1	47.9	12.8	92.1
Capitalized modernization costs	1.8	0.0	0.1	–	1.9
Grants received	-1.0	–	–	–	-1.0
Disposals	-0.4	–	-8.7	-1.3	-10.4
Transfer from investment properties	3.3	–	-	–	3.3
Transfer to investment properties	-11.1	–	-	–	-11.1
Other transfers	–	-6.1	-6.3	6.1	-6.3
As of Dec. 31, 2019	162.7	45.6	166.0	99.8	474.1
Accumulated depreciation					
As of Jan. 1, 2019	6.3	20.6	42.8	–	69.7
Additions due to business combinations	–	0.5	1.9	–	2.4
Depreciation in reporting year	2.0	5.4	31.9	18.5	57.8
Impairment	0.5	–	–	–	0.5
Reversal of impairments	-0.7	–	–	–	-0.7
Disposals	-0.4	–	-8.2	-0.5	-9.1
Other transfers	–	-1.4	-5.1	1.4	-5.1
As of Dec. 31, 2019	7.7	25.1	63.3	19.4	115.5
Carrying amounts					
As of Dec. 31, 2019	155.0	20.5	102.7	80.4	358.6
Cost					
As of Jan. 1, 2018	104.5	43.1	77.4	–	225.0
Additions due to business combinations	21.3	0.1	5.4	–	26.8
Additions	22.4	3.0	66.2	–	91.6
Capitalized modernization costs	1.6	–	–	–	1.6
Disposals	-1.8	-0.2	-19.8	–	-21.8
Transfer from investment properties	6.5	–	–	–	6.5
Transfer to investment properties	-10.7	–	–	–	-10.7
Other transfers	–	–	1.1	–	1.1
As of Dec. 31, 2018	143.8	46.0	130.3	–	320.1
Accumulated depreciation					
As of Jan. 1, 2018	5.0	14.8	27.6	–	47.4
Additions due to business combinations	0.2	–	3.4	–	3.6
Depreciation in reporting year	2.2	6.0	29.5	–	37.7
Reversal of impairments	-0.5	–	–	–	-0.5
Disposals	-0.6	-0.2	-18.9	–	-19.7
Other transfers	0.0	–	1.2	–	1.2
As of Dec. 31, 2018	6.3	20.6	42.8	–	69.7
Carrying amounts					
As of Dec. 31, 2018	137.5	25.4	87.5	–	250.4

Accounting Policies

Items of property, plant and equipment are carried at amortized cost less accumulated depreciation and are depreciated over their respective estimated useful lives on a straight-line basis.

Subsequent costs of replacing part of an item of property, plant and equipment are capitalized provided it is probable that future economic benefits associated with the item will flow to Vonovia and the cost can be estimated reliably.

The properties used by the company itself are subject to depreciation over a term of 50 years, with fixtures, furniture and office equipment subject to depreciation over a period of 3–13 years and technical equipment, plant and machinery over a period of 5–20 years.

As of December 31, 2019, the item "Owner-occupied properties" includes € 106.2 million (Dec. 31, 2018: € 83.4 million), which mainly consists of production costs for the construction of the new Vonovia headquarters in Bochum and of the BUWOG headquarters in Vienna.

Furthermore, carrying amounts of owner-occupied properties amounting to € 30.6 million as of December 31, 2019 (Dec. 31, 2018: € 35.1 million) are encumbered with land charges in favor of various lenders.

28 Investment Properties

in € million	
As of Jan. 1, 2019	43,490.9
Additions due to business combinations	3,202.9
Additions of right-of-use assets (IFRS 16)	217.9
Additions	983.9
Capitalized modernization costs	1,117.6
Grants received	-14.2
Other transfers	-2.8
Transfer from property, plant and equipment	11.1
Transfer to property, plant and equipment	-3.3
Transfer from real estate inventories	5.4
Transfer to real estate inventories	-21.8
Transfer from assets held for sale	4.5
Transfer to assets held for sale	-316.1
Disposals	-158.2
Disposals due to changes in scope of consolidation	- 4.8
Net income from fair value adjustments of investment properties	4,131.5
Revaluation of assets held for sale	59.7
Revaluation from currency effects	32.4
As of Dec. 31, 2019	**52,736.6**
As of Jan. 1, 2018	33,182.8
Additions due to business combinations	6,214.7
Additions	365.8
Capitalized modernization costs	1,006.0
Grants received	-2.6
Transfer from property, plant and equipment	10.7
Transfer to property, plant and equipment	-6.5
Transfer from assets held for sale	24.4
Transfer to assets held for sale	-323.9
Disposals	-597.6
Disposals due to changes in scope of consolidation	-2.3
Net income from fair value adjustments of investment properties	3,517.9
Revaluation of assets held for sale	68.5
Revaluation from currency effects	33.0
As of Dec. 31, 2018	**43,490.9**

Accounting Policies

When Vonovia acquires properties, whether through a business combination or as part of a separate transaction, the intended use determines whether such properties are classified as investment properties or as owner-occupied properties.

Investment properties are properties that are held for the purpose of earning rental income or for capital appreciation or both and are not owner-occupied or held for sale in the ordinary course of business. Investment properties include undeveloped land, land and land rights including buildings and land with inheritable building rights of third parties. Investment properties also include right-of-use assets from rented, developed and undeveloped land (inheritable building rights) and from rented residential and commercial properties (interim leasing) within the meaning of IFRS 16 that are classified as investment properties.

Investment properties are initially measured at cost. Related transaction costs, such as fees for legal services or real estate transfer taxes, are included in the initial measurement. If properties are purchased as part of a business combination and if the transaction relates to a "business," then IFRS 3 applies as far as recognition is concerned. Transaction costs are recognized as an expense.

Following initial recognition, investment properties are measured at fair value. Any change therein is recognized as affecting net income in the income statement. During the land or project development phase, reliable measurement at fair value is often not possible due to the lack of marketability and the lack of comparable transactions. In such cases, the cost model is continued until a reliable measurement can be carried out, but at the latest until the property in question is completed.

Investment properties are transferred to property, plant and equipment when there is a change in use evidenced by the commencement of owner-occupation. The properties' deemed cost for subsequent measurement corresponds to the fair value at the date of reclassification.

The additions in 2019 include € 493.0 million (2018: € 86.9 million) in production costs for new construction activities.

The total amount reported for investment properties as of December 31, 2019 includes right-of-use assets from recognized inheritable building rights and interim leasing arrangements in the amount of € 1,224.8 million (see note [E42] Leases).

The majority of € 1,223.7 million is attributable to right-of-use assets from inheritable building rights. This includes € 78.1 million (previous year: € 71.0 million) relating to the Spree-Bellevue (Spree-Schlange) property in Berlin. The property has been leased from DB Immobilienfonds 11 Spree-Schlange von Quistorp KG until 2044. The lease agreement includes an obligation to pay compensation for loss of use as agreed by contract. At the end of 2028, each fund subscriber is entitled to return his share to the property fund at a fixed redemption price. If all of the fund investors make use of this option, Vonovia is obliged to acquire the property at a fixed purchase price after deduction of borrowings. If more than 75% of the shares are returned in this way, Vonovia has a call option for the purchase of all fund shares.

Taking into account the inheritable building rights already included in investment properties in the amount of € 732.0 million as of January 1, 2019, that were reclassified to right-of-use assets, this results in additions to right-of-use assets pursuant to IFRS 16 in the amount of € 266.0 million in total.

This is mainly composed of the first-time adoption of IFRS 16 as of January 1, 2019, in the amount of € 217.9 million, as well as additions resulting from business combinations in the amount of € 38.6 million.

For the investment properties encumbered with land charges in favor of various lenders, see chapter [E40] Non-derivative Financial Liabilities.

Directly Attributable Operating Expenses

Rental income from investment properties amounted to € 2,077.9 million during the fiscal year (2018: € 1,897.8 million). Operating expenses directly relating to these properties amounted to € 218.7 million during the fiscal year (2018: € 195.1 million). These include expenses for maintenance, ancillary costs that cannot be passed on to the tenants, personnel expenses from the caretaker and craftsmen's organizations, and income from the capitalized internal expenses. The capitalized internal expenses relate to the work performed by the Group's own craftsmen's organization and the management costs for major modernization projects.

Long-Term Leases

Vonovia as a lessor has concluded long-term leases on commercial properties. These are non-cancelable leases. The minimum future lease receipts from these leases are due as follows:

in € million	Dec. 31, 2018	Dec. 31, 2019
Total minimum lease payments	82.1	124.2
Due within 1 year	25.8	29.2
Due in 1 to 5 years	50.7	58.6
Due after 5 years	5.6	36.4

Fair Values

The value of the entire portfolio of residential properties was determined on the basis of the International Valuation Standard Committee's definition of market value. Portfolio premiums and discounts, which can be observed when portfolios are sold in market transactions, were not included. Nor were time restrictions in the marketing of individual properties. Vonovia determines fair value in accordance with the requirements of IAS 40 in conjunction with IFRS 13.

Vonovia, in principle, measures its portfolio on the basis of the discounted cash flow (DCF) procedure. The Austrian portfolio was valued by the in-house valuation department for the first time in 2019. Under the DCF methodology, the expected future income and costs of a property are forecast over a detailed period and discounted to the date of valuation as the net present value. The detailed period for the German portfolio is 10 years. Due to the particular market situation in Austria and in order to reflect the extensive Austrian rent restrictions, a sales scenario involving the recurring sales of apartments is assumed for a subportfolio. In order to present these sales in the correct accounting period, the detailed period for the Austrian DCF model has been extended to 100 years.

The income in the DCF model mainly comprises expected rental income (current in-place rent, market rents as well as their development) taking vacancy losses into account. In Austria, it also includes sales revenues from a subportfolio. The expected rental income is derived for each location from the latest rent indices and rent tables (including empirica, IVD, the Austrian Economic Chambers (WKÖ)) as well as from studies on spatial prosperity (Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR), Prognos, empirica, Bertelsmannstiftung, the Austrian statistical office, Statistik Austria, etc.). The expected sales revenues are derived from historical sale prices as well as market data (e.g., WKÖ, EHL).

On the cost side, maintenance expenses and administrative costs are taken into account. In Germany, these are taken into account in accordance with the II. Berechnungsverordnung and inflated in the reporting period (II. BV; German Regulation on Calculations for Residential Buildings in accordance with the Second Housing Construction Law, stipulating how economic viability calculations for homes are to be performed). These cost approaches are also transferred to the Austrian market. Further cost items are, for example, ground rents, non-allocable ancillary costs, rent losses and, in Austria, selling costs. Modernization measures carried out in the housing stocks are factored in by decreasing the current maintenance expenses and adjusting market rents.

On this basis, the forecast cash flows are calculated on an annual basis and discounted to the date of valuation as the net present value. In addition, the terminal value of properties in the German portfolio at the end of the ten-year period is determined using the expected stabilized net operating income and again discounted to the date of valuation as the net present value. The discount rate applied reflects the market situation, location, type of property, special property features (e.g., inheritable building rights, rent restrictions), the yield expectations of a potential investor and the risk associated with the forecast future cash flows of the property. The present value calculated in this way is reconciled to the market value by deducting standard market transaction costs, such as real estate transfer taxes, agent and notary costs. As the detailed period in the Austrian DCF model has been extended to 100 years in order to present the sales scenarios in the correct accounting period, no terminal value is applied here. The commercial properties in the portfolio are mainly small commercial units for the supply of the local residential environment. Different cost approaches are used to those for residential properties, and discount rates were adjusted to reflect the market specifics.

The valuation is, in principle, performed on the basis of homogeneous valuation units. These meet the criteria of economically cohesive and comparable land and buildings. They include:

> Geographical location (identity of the microlocation and geographical proximity)
> Comparable types of use, building class, construction year class and condition of property
> Same property features such as rent restrictions, inheritable building rights and full or part ownership

The Vonovia portfolio also contains project developments, existing areas with construction potential and land areas with inheritable building rights. Project developments are measured using the cost approach until the construction work is complete. If the project is then to be managed within Vonovia's own portfolio, it is measured at fair value using the DCF procedure described above once the construction work is complete. Existing areas with construction potential are valued using a comparable method on the basis of the local standard land value evaluated. Deductions are taken into account in particular for the readiness for construction and potential use as well as for likelihood of development and the development situation. Inheritable building rights granted are valued in the same way as the property portfolio using a DCF method. The input parameters here are the duration and amount of ground rent and the value of the land.

Vonovia determined the fair values of its real estate portfolio in Germany and Austria as of December 31, 2019 in its in-house valuation department on the basis of the methodology described above. The property assets are also assessed by the independent property appraiser CBRE GmbH. The market value resulting from the external review deviates from the internal valuation result by less than 0.1%.

For the portfolio of Victoria Park, the result of the external appraiser Savills Sweden AB in cooperation with Malmobryggan Fastighetsekonomi AB was applied. The valuation results of the external appraiser Savills Sweden AB were adopted for the Hembla portfolio. The fair values for the Swedish portfolio were also calculated using a DCF procedure that is comparable to the procedure used by Vonovia, as explained above.

The contractually fixed remuneration for the valuation report is not linked to the valuation results.

The right-of-use assets from leasehold contracts are recognized at their fair value. The fair value of the leasehold contracts corresponds to the present value of the standard market leasehold fee payments up until the end of the term of the hereditary building right in question. These are calculated based on the current amount of the ground rent. In order to calculate the present value, the leasehold fee payments are discounted using a property-specific interest rate.

The real estate portfolio of Vonovia is to be found in the items investment properties, property, plant and equipment (owner-occupied properties), real estate inventories, contract assets and assets held for sale. The fair value of the portfolio comprising residential buildings, commercial properties, garages and parking spaces, project developments, as well as undeveloped land and any inheritable building rights granted was € 53,316.4 million as of December 31, 2019 (Dec. 31, 2018: € 44,239.9 million). This corresponds to a net initial yield for the developed land of 3.1% (total portfolio including Sweden and Austria; Dec. 31, 2018: 3.4%). For Germany, this results in an in-place-rent multiplier of 23.5 for the portfolio (Dec. 31, 2018: 21.5) and a fair value per m² of € 1,893 (Dec. 31, 2018: € 1,677). The in-place-rent multiplier and fair value for the Austrian portfolio come to 24.7 and € 1,455 per m² (Dec. 31, 2018: 23.6 and € 1,346 per m²), while the values for Sweden come to 17.1 and € 1,899 per m² (Dec. 31, 2018: 14.6 and € 1,563 per m²).

The material valuation parameters for the investment properties (level 3) in the real estate portfolio are as follows as of December 31, 2019, broken down by regional markets:

Dec. 31, 2019 Regional market	Valuation results* Fair value (in € million)	thereof assets held for sale (in € million)	thereof owner-occupied properties (in € million)	thereof investment properties (in € million)
Berlin	7,450.0	1.7	5.9	7,442.4
Rhine Main area	4,432.0	12.1	5.6	4,414.3
Rhineland	3,822.7	5.8	7.4	3,809.5
Southern Ruhr area	3,850.5	7.5	3.9	3,839.1
Dresden	3,584.8	0.0	6.1	3,578.7
Hamburg	2,762.2	6.4	2.7	2,753.1
Munich	2,283.3	6.2	3.8	2,273.3
Stuttgart	2,122.9	1.5	2.0	2,119.3
Kiel	2,101.9	0.0	2.6	2,099.3
Hanover	1,873.5	3.4	2.2	1,868.0
Northern Ruhr area	1,696.9	6.7	5.3	1,684.9
Bremen	1,182.3	0.0	1.8	1,180.5
Leipzig	958.3	10.6	1.1	946.7
Westphalia	903.2	0.0	1.1	902.1
Freiburg	657.2	0.0	1.9	655.3
Other strategic locations	2,899.8	2.8	4.2	2,892.8
Total strategic locations	**42,581.5**	**64.7**	**57.6**	**42,459.3**
Non-strategic locations	694.7	64.6	2.0	628.1
Vonovia Germany	**43,276.2**	**129.3**	**59.5**	**43,087.4**
Vonovia Sweden**	5,642.0	0.0	0.0	5,642.0
Vonovia Austria**	2,654.9	0.4	0.0	2,654.4

* Fair value of the developed land excluding € 1,743.4 million for development, undeveloped land, inheritable building rights granted and other; € 1,058.2 million of this amount relates to investment properties. The investment properties balance sheet item also includes the present value in connection with payments for right-of-use assets in the amount of € 294.6 million.
** The valuation methods for the portfolio in Austria and Sweden use valuation parameters that are only partially comparable. Administrative and maintenance expenses are not shown separately.

Valuation parameters investment properties (Level 3)						
Management costs residential (€ per residential unit p. a.)	Maintenance costs total residential (per m² p. a.)	Market rent residential (per m² per month)	Market rent increase residential	Stabilized vacancy rate residential	Discount rate total	Capitalized interest rate total
258	14.10	7.79	1.8%	1.2%	4.3%	2.5%
278	14.14	9.10	1.8%	1.1%	4.9%	3.2%
275	13.78	8.00	1.7%	1.9%	5.1%	3.5%
272	12.69	6.76	1.5%	2.6%	5.1%	3.8%
243	14.19	6.74	1.7%	2.2%	5.2%	3.7%
263	14.37	8.22	1.6%	1.3%	4.7%	3.3%
266	14.03	11.22	1.9%	0.6%	4.6%	2.9%
276	14.48	9.07	1.8%	1.3%	5.0%	3.3%
263	14.58	7.22	1.7%	1.7%	5.3%	3.8%
264	14.08	7.29	1.7%	2.0%	5.0%	3.5%
273	13.24	6.26	1.2%	3.4%	5.5%	4.5%
268	13.21	6.74	1.8%	2.1%	5.1%	3.5%
258	14.78	6.52	1.8%	3.2%	5.1%	3.5%
268	13.20	6.95	1.5%	1.9%	5.1%	3.8%
274	15.05	8.21	1.7%	1.0%	4.6%	3.0%
273	14.09	7.39	1.6%	2.3%	5.2%	3.7%
266	**13.88**	**7.57**	**1.7%**	**1.9%**	**4.9%**	**3.4%**
269	14.56	7.34	1.7%	2.4%	5.2%	3.4%
266	**13.89**	**7.57**	**1.7%**	**1.9%**	**4.9%**	**3.4%**
n. a.	n. a.	9.76	2.0%	0.9%	5.7%	3.7%
n. a.	19.25	5.38	1.6%	1.6%	5.6%	n. a.

Dec. 31, 2018 Regional market	Valuation results* Fair value (in € million)	thereof assets held for sale (in € million)	thereof owner-occupied properties (in € million)	thereof investment properties (in € million)
Berlin	6,535.9	2.5	5.4	6,527.9
Rhine Main area	3,949.6	20.9	6.3	3,922.4
Rhineland	3,424.5	2.8	7.9	3,413.8
Southern Ruhr area	3,354.0	5.4	4.2	3,344.3
Dresden	3,104.1	0.0	5.5	3,098.6
Hamburg	2,456.1	0.3	3.0	2,452.8
Munich	2,050.6	9.8	3.1	2,037.7
Stuttgart	1,935.6	4.8	1.8	1,929.0
Kiel	1,909.9	0.0	2.5	1,907.4
Hanover	1,622.7	0.4	1.8	1,620.5
Northern Ruhr area	1,566.8	12.1	4.5	1,550.2
Bremen	1,071.2	0.0	2.6	1,068.6
Leipzig	867.6	0.1	1.0	866.5
Westphalia	783.2	0.0	1.1	782.1
Freiburg	602.4	0.2	2.0	600.2
Other strategic locations	2,604.6	6.1	3.9	2,594.7
Total strategic locations	**37,838.9**	**65.3**	**56.9**	**37,716.7**
Non-strategic locations	789.5	29.0	1.4	759.2
Vonovia Germany	**38,628.4**	**94.3**	**58.2**	**38,475.8**
Vonovia Sweden**	1,737.7	0.0	0.0	1,737.7
Vonovia Austria**	2,517.0	0.0	0.0	2,517.0

* Fair value of the developed land excluding € 1,356.8 million in development, undeveloped land, inheritable building rights granted and other, thereof € 760.4 million in investment properties.
** The valuation methods used for the portfolio in Austria and Sweden use valuation parameters that are only partially comparable. Administrative and maintenance expenses are not shown separately.

The inflation rate applied to the valuation procedure comes to 1.6%. Net income from the valuation of investment properties amounted to € 4,131.5 million in the 2019 fiscal year (Dec. 31, 2018: € 3,517.9 million). For the Austrian portfolio, a sales strategy with an average selling price of € 2,053 per m² was assumed for 56.5% of the properties.

Sensitivity Analyses

The sensitivity analyses performed on Vonovia's real estate portfolio show the impact of the value drivers influenced by the market. Those influenced in particular are the market rents and their development, the amount of recognized administrative and maintenance expenses, cost increases, the vacancy rate and interest rates. The effect of possible fluctuations in these parameters is shown separately for each parameter according to regional market in the following.

Interactions between the parameters are possible but cannot be quantified owing to the complexity of the interrelationships. The vacancy and market rent parameters, for example, can influence each other. If rising demand for housing is not met by adequate supply developments, then this can result in lower vacancy rates and, at the same time, rising market rents. If, however, the rising demand is compensated for by a high vacancy reserve in the location in question, then the market rent level does not necessarily change.

Changes in the demand for housing can also impact the risk associated with the expected payment flows, which is then reflected in adjusted amounts recognized for discounting and capitalized interest rates. The effects do not, however, necessarily have to have a favorable impact on each other, for example, if the changes in the demand for residential real estate are overshadowed by macroeconomic developments.

Management costs residential (€ per residential unit p. a.)	Maintenance costs total residential (per m² p. a.)	Market rent residential (per m² per month)	Market rent increase residential	Stabilized vacancy rate residential	Discount rate total	Capitalized interest rate total
Valuation parameters investment properties (Level 3)						
251	14.29	7.38	1.8%	1.3%	4.4%	2.7%
274	14.20	8.81	1.8%	1.2%	5.1%	3.5%
271	13.81	7.68	1.7%	2.0%	5.3%	3.8%
267	12.78	6.42	1.5%	2.5%	5.4%	4.1%
239	14.36	6.73	1.7%	2.0%	5.6%	4.2%
259	14.50	8.03	1.6%	1.4%	5.0%	3.6%
262	13.88	10.66	1.8%	0.6%	4.8%	3.1%
272	14.41	8.73	1.8%	1.3%	5.2%	3.5%
259	14.62	6.80	1.6%	1.7%	5.2%	3.9%
260	14.14	7.03	1.7%	2.0%	5.4%	3.9%
269	13.33	6.06	1.2%	3.4%	5.7%	4.8%
264	13.25	6.33	1.8%	2.1%	5.2%	3.6%
255	14.65	6.33	1.7%	3.6%	5.3%	3.8%
264	13.41	6.65	1.5%	1.8%	5.5%	4.2%
270	14.86	7.96	1.7%	0.9%	4.8%	3.2%
268	14.46	7.20	1.6%	2.3%	5.4%	4.0%
262	**13.98**	**7.29**	**1.7%**	**1.9%**	**5.2%**	**3.6%**
259	14.50	6.90	1.7%	2.8%	5.5%	3.9%
262	**13.99**	**7.28**	**1.7%**	**2.0%**	**5.2%**	**3.6%**
n. a.	n. a.	9.20	2.0%	0.7%	6.1%	4.2%
n. a.	n. a.	5.87	0.9%	n. a.	5.2%	n. a.

In addition, factors other than demand can have an impact on these parameters. Examples include changes in the portfolio, in seller and buyer behavior, political decisions and developments on the capital market.

The table below shows the percentage impact on values in the event of a change in the valuation parameters. The absolute impact on values is calculated by multiplying the percentage impact by the fair value of the investment properties.

Dec. 31, 2019	Change in value in % under varying parameters		
	Management costs residential	Maintenance costs residential	Cost increase/inflation
Regional market	-10% / 10%	-10% / 10%	-0.5% / +0.5% points
Berlin	0.5 / -0.5	1.6 / -1.6	5.0 / -5.1
Rhine Main area	0.5 / -0.5	1.4 / -1.4	3.0 / -3.2
Rhineland	0.5 / -0.5	1.7 / -1.7	3.6 / -3.7
Southern Ruhr area	0.8 / -0.8	2.2 / -2.2	4.4 / -4.5
Dresden	0.7 / -0.7	2.1 / -2.1	4.2 / -4.4
Hamburg	0.5 / -0.5	1.8 / -1.8	4.0 / -4.1
Munich	0.3 / -0.3	1.2 / -1.2	3.4 / -3.6
Stuttgart	0.5 / -0.5	1.5 / -1.5	3.1 / -3.2
Kiel	0.7 / -0.7	2.1 / -2.1	4.0 / -4.2
Hanover	0.6 / -0.6	1.9 / -1.9	4.0 / -4.1
Northern Ruhr area	0.9 / -0.9	2.7 / -2.7	4.4 / -4.6
Bremen	0.7 / -0.7	2.0 / -2.0	4.7 / -4.8
Leipzig	0.7 / -0.7	2.2 / -2.2	4.7 / -4.9
Westphalia	0.7 / -0.7	2.2 / -2.2	4.2 / -4.3
Freiburg	0.5 / -0.5	1.7 / -1.7	3.9 / -4.0
Other strategic locations	0.6 / -0.6	2.0 / -2.0	3.8 / -3.9
Total strategic locations	**0.6 / -0.6**	**1.8 / -1.8**	**4.1 / -4.2**
Non-strategic locations	0.6 / -0.6	2.3 / -2.2	6.1 / -6.1
Vonovia Germany	**0.6 / -0.6**	**1.8 / -1.8**	**4.1 / -4.2**
Vonovia Sweden*	n. a.	n. a.	2.0 / -2.0
Vonovia Austria*	n. a.	0.4 / -0.4	0.3 / -0.4

* The valuation methods for the portfolio in Austria and Sweden use valuation parameters that are only partially comparable. Administrative and maintenance expenses are not shown separately.

Change in value in % under varying parameters			
Market rent residential	Market rent increase residential	Stabilized vacancy rate residential	Discounting and capitalized interest rates total
-2.0% / +2.0%	-0.2% / +0.2% points	-1% / +1% points	-0.25% / +0.25% points
-2.4 / 2.3	-9.2 / 11.2	1.5 / -1.7	11.4 / -9.3
-2.3 / 2.3	-6.9 / 8.0	1.1 / -1.5	8.5 / -7.2
-2.3 / 2.3	-6.7 / 7.7	1.6 / -1.6	8.0 / -6.9
-2.5 / 2.4	-6.7 / 7.6	1.9 / -1.9	7.3 / -6.4
-2.5 / 2.4	-6.7 / 7.6	1.8 / -1.8	7.6 / -6.6
-2.3 / 2.3	-7.2 / 8.5	1.2 / -1.6	8.8 / -7.4
-2.1 / 2.1	-7.8 / 9.2	0.7 / -1.4	10.1 / -8.5
-2.2 / 2.3	-6.7 / 7.8	1.4 / -1.5	8.2 / -7.0
-2.4 / 2.4	-6.5 / 7.4	1.8 / -1.8	7.2 / -6.3
-2.3 / 2.3	-6.8 / 7.8	1.7 / -1.7	7.8 / -6.8
-2.6 / 2.6	-5.9 / 6.6	2.1 / -2.1	6.0 / -5.3
-2.3 / 2.3	-7.2 / 8.3	1.8 / -1.8	8.2 / -7.1
-2.5 / 2.5	-7.1 / 8.1	1.8 / -1.8	7.9 / -6.9
-2.3 / 2.3	-6.5 / 7.4	1.8 / -1.9	7.2 / -6.3
-2.4 / 2.3	-7.6 / 8.9	1.1 / -1.6	9.1 / -7.7
-2.4 / 2.4	-6.6 / 7.5	1.7 / -1.7	7.4 / -6.5
-2.4 / 2.3	**-7.2 / 8.4**	**1.5 / -1.7**	**8.6 / -7.3**
-2.5 / 2.4	-8.9 / 10.5	1.9 / -1.8	10.4 / -8.8
-2.4 / 2.3	**-7.3 / 8.4**	**1.5 / -1.7**	**8.6 / -7.3**
-3.0 / 3.0	-1.4 / 1.4	1.0 / -1.5	6.0 / -5.2
-0.2 / 0.2	-0.6 / 0.7	0.9 / -0.9	4.3 / -3.9

Dec. 31, 2018	Change in value in % under varying parameters		
	Management costs residential	Maintenance costs residential	Cost increase/inflation
Regional market	-10%/10%	-10%/10%	-0.5%/+0.5% points
Berlin	0.5/-0.5	1.7/-1.7	4.7/-4.8
Rhine Main area	0.5/-0.5	1.5/-1.5	2.9/-3.0
Rhineland	0.5/-0.5	1.8/-1.8	3.4/-3.6
Southern Ruhr area	0.8/-0.8	2.4/-2.3	4.4/-4.5
Dresden	0.7/-0.7	2.1/-2.1	3.9/-4.0
Hamburg	0.6/-0.6	1.8/-1.8	3.4/-3.5
Munich	0.4/-0.4	1.2/-1.2	3.4/-3.5
Stuttgart	0.5/-0.5	1.5/-1.5	3.0/-3.2
Kiel	0.8/-0.8	2.1/-2.1	2.7/-2.9
Hanover	0.6/-0.6	2.0/-2.0	3.5/-3.7
Northern Ruhr area	1.0/-1.0	2.8/-2.8	4.4/-4.6
Bremen	0.8/-0.7	2.2/-2.2	4.9/-5.0
Leipzig	0.7/-0.7	2.3/-2.3	4.8/-4.9
Westphalia	0.7/-0.7	2.4/-2.4	4.0/-4.1
Freiburg	0.5/-0.5	1.8/-1.7	3.7/-3.8
Other strategic locations	0.6/-0.7	2.0/-2.0	3.3/-3.4
Total strategic locations	0.6/-0.6	2.1/-2.0	3.0/-3.1
Non-strategic locations	0.6/-0.6	1.9/-1.9	3.8/-3.9
Vonovia Germany	**0.6/-0.6**	**1.9/-1.9**	**3.8/-3.9**
Vonovia Sweden*	n. a.	n. a.	1.5/-1.5
Vonovia Austria*	n. a.	n. a.	n. a.

* The valuation methods for the portfolio in Austria and Sweden use valuation parameters that are only partially comparable. Administrative and maintenance expenses are not shown separately.

Contractual Obligations

In connection with major acquisitions, Vonovia entered into contractual obligations or assumed such obligations indirectly via acquired companies, among other things in the form of Social Charters, which could limit its ability to freely sell parts of its portfolio, increase rents or terminate existing rent agreements for certain units and which, in the event of a breach, could give rise to substantial contractual penalties in some cases. Moreover, when acquiring and financing some of the properties in the portfolio, Vonovia also entered into an obligation to spend a certain average amount per square meter on maintenance and improvements.

After a certain period of time, these obligations often cease to apply either in full or in part. As of December 31, 2019, around 139,000 residential units in Vonovia's portfolio were subject to one or several contractual restrictions or other obligations.

> **Sale restrictions:** As of December 31, 2019, around 64,000 units were subject to sale restrictions (excl. occupancy rights). Around 18,000 of these units cannot be freely sold before a certain date. Sale restrictions like these include a full or partial ban on the sale of residential units and provisions requiring the consent of certain representatives of the original seller prior to sale.

> **Preemptive rights on preferential terms:** Around 7,000 residential units from the "Recurring Sales" subportfolio can only be sold if the tenants are offered preemptive rights on preferential terms. This means that Vonovia is obliged to offer these tenants the residential units at a price that is up to 15% below the price that could be achieved by selling the units in question to third parties.

> **Restrictions on the termination of rent agreements:** Around 102,000 residential units are affected by restrictions on the termination of rent agreements. These restrictions include notice to vacate for personal use and notice to vacate for appropriate commercial utilization. In some cases, units are covered by a lifelong ban on the termination of rent agreements.

Change in value in % under varying parameters			
Market rent residential	Market rent increase residential	Stabilized vacancy rate residential	Discounting and capitalized interest rates total
-2.0% / +2.0%	-0.2% / +0.2% points	-1% / +1% points	-0.25% / +0.25% points
-2.3 / 2.3	-8.7 / 10.4	1.7 / -1.7	10.6 / -8.8
-2.3 / 2.3	-6.4 / 7.3	1.2 / -1.6	7.7 / -6.7
-2.3 / 2.3	-6.3 / 7.1	1.7 / -1.8	7.3 / -6.4
-2.4 / 2.5	-6.4 / 7.2	2.1 / -2.1	6.8 / -6.0
-2.5 / 2.5	-6.1 / 6.9	1.9 / -1.9	6.8 / -6.0
-2.1 / 2.1	-6.6 / 7.6	1.3 / -1.7	8.0 / -6.9
-2.1 / 2.1	-7.4 / 8.7	0.8 / -1.5	9.5 / -8.0
-2.2 / 2.2	-6.4 / 7.3	1.4 / -1.6	7.6 / -6.6
-2.1 / 2.0	-5.8 / 6.6	1.8 / -1.8	6.9 / -6.1
-2.3 / 2.2	-6.2 / 7.0	1.8 / -1.8	7.1 / -6.3
-2.6 / 2.6	-5.7 / 6.3	2.3 / -2.3	5.6 / -5.1
-2.3 / 2.3	-6.9 / 8.0	1.9 / -1.9	7.7 / -6.6
-2.5 / 2.5	-6.8 / 7.8	2.0 / -2.0	7.5 / -6.5
-2.3 / 2.3	-6.0 / 6.8	1.9 / -2.0	6.5 / -5.8
-2.3 / 2.3	-7.2 / 8.5	1.3 / -1.7	8.6 / -7.3
-2.2 / 2.2	**-6.0 / 6.8**	**1.7 / -1.8**	**6.9 / -6.0**
-2.2 / 2.4	**-6.6 / 7.7**	**2.1 / -1.8**	**8.0 / -7.0**
-2.3 / 2.3	-6.8 / 7.8	1.7 / -1.8	7.9 / -6.8
-2.3 / 2.3	**-6.8 / 7.8**	**1.7 / -1.8**	**7.9 / -6.8**
-3.0 / 3.0	-1.3 / 1.3	1.2 / -1.7	5.3 / -4.7
-0.1 / 0.1	n. a.	n. a.	4.2 / -3.8

- **Expenses for minimum maintenance and restrictions on maintenance and modernization measures:** Around 57,000 apartments are subject to minimum maintenance obligations. As a minimum maintenance obligation no longer applies, the weighted average of the annual necessary spending on maintenance and modernization has changed to € 10.84 per m². Furthermore, around 55,000 residential units are affected by restrictions relating to modernization and maintenance measures, which are designed to prevent changes in socio-economic tenant composition (i. e., to limit luxury modernization). Some of the restrictions to prevent luxury modernization have been agreed on a permanent basis.
- **Restrictions on rent increases:** Restrictions on rent increases (including provisions stating that "luxury modernization" measures are subject to approval) affect around 65,000 residential units. These restrictions could prevent Vonovia from realizing the rent that could potentially be generated from the units in question.

In many cases, in the event that all or part of a portfolio is transferred or individual residential units are sold, the aforementioned obligations are to be assumed by the buyers, who are in turn subject to the obligation to pass them on to any future buyers.

Under structured financing programs, Vonovia is subject to fundamental restrictions on the use of excess property disposal proceeds, such restrictions being particularly in the form of mandatory minimum capital repayments. Excess cash from property management is also restricted to a certain extent.

All contractual obligations that have a material impact on the valuation were taken into account accordingly.

29 Financial Assets

in € million	Dec. 31, 2018 non-current	Dec. 31, 2018 current	Dec. 31, 2019 non-current	Dec. 31, 2019 current
Non-consolidated subsidiaries	–	–	2.0	–
Joint venture investments valued at equity	29.1	–	29.5	–
Other investments	792.1	–	140.2	–
Loans to other investments	33.4	–	33.3	–
Securities	4.0	–	4.4	–
Other non-current loans	10.2	–	11.7	–
Derivatives	20.0	0.8	32.4	0.7
	888.8	**0.8**	**253.5**	**0.7**

Accounting Policies

Financial assets are recognized in the balance sheet when Vonovia becomes a contracting party of the financial instrument. A financial asset is derecognized when the contractual rights to the cash flows from a financial asset expire, or the financial asset is transferred and Vonovia neither retains control nor retains material risks and rewards associated with ownership of the financial asset.

In accordance with IFRS 9, the **classification of financial assets** takes into account both the business model in which financial assets are held and the characteristics of the cash flows of the assets in question. These criteria determine whether the assets are measured at amortized cost using the effective interest method or at fair value.

With regard to the business model criterion, all financial investments at Vonovia are to be assigned to the "hold to collect" model pursuant to IFRS 9.4.1.2(a). Whenever financial investments are categorized as equity instruments, Vonovia has exercised the irrevocable option to state future changes to the fair value under other comprehensive income in equity. Gains and losses recognized in other comprehensive income are never reclassified from total equity to the income statement on their disposal.

The carrying amount of financial assets corresponds to maximum risk of loss as of the reporting date.

In the previous year, other investments include € 672.8 million attributable to shares in Deutsche Wohnen SE which were sold to institutional investors with effect from February 1, 2019, as part of an accelerated book building procedure. On the other hand, the increase in the value of the shares in OPPCI JUNO, Paris, affects their fair value of € 104.1 million (Dec. 31, 2018: € 87.0 million).

The loans to other investments not yet due relate to a loan to the property fund DB Immobilienfonds 11 Spree-Schlange von Quistorp KG.

Derivatives include positive market values from cross currency swaps in the amount of € 29.1 million (Dec. 31, 2018: € 15.7 million), together with positive market values in the amount of € 3.3 million (Dec. 31, 2018: € 4.3 million) from embedded derivatives and other interest rate derivatives.

30 Other Assets

in € million	Dec. 31, 2018 non-current	Dec. 31, 2018 current	Dec. 31, 2019 non-current	Dec. 31, 2019 current
Right to reimbursement for transferred pensions	4.7	–	4.4	-
Receivables from insurance claims	1.2	16.6	0.8	14.9
Miscellaneous other assets	6.3	97.8	49.5	123.1
	12.2	**114.4**	**54.7**	**138.0**

The right to reimbursement for transferred pensions is in connection with the indirect obligation shown under provisions for pensions arising from pension obligations transferred to former affiliated companies of the Viterra Group.

The receivables from insurance claims include the recognition of the excess of the fair value of plan assets over the corresponding pre-retirement part-time work arrangement obligations amounting to € 0.8 million (Dec. 31, 2018: € 0.2 million).

The increase in non-current miscellaneous other assets is due to payments made in advance for property acquisitions that will only result in legally effective transfers in 2020.

31 Income Tax Receivables

The income tax receivables disclosed relate to corporate income tax and trade tax receivables for the current fiscal year and prior years as well as capital gains tax.

The decrease in the financial year 2019 mainly results from reimbursement of capital gains tax including solidarity surcharge paid in 2018 in the amount of € 65.5 million.

32 Inventories

Accounting Policies

Inventories are valued at cost or at their net realizable value, whichever is lower.

The raw materials and supplies recognized relate to repair materials for our craftsmen's organization.

33 Trade Receivables

The trade receivables break down as follows:

	Impaired		Not impaired						Carrying amount
in € million	Gross amount	Impairment losses	Neither impaired nor past due at the end of the reporting period	less than 30 days	between 30 and 90 days	between 91 and 180 days	between 181 and 360 days	more than 360 days	Corresponds to maximum risk of loss*
Receivables from the sale of investment properties	6.2	-4.5	49.8	2.5	7.5	2.6	1.5	1.0	66.6
Receivables from the sale of real estate properties			26.2						26.2
Contract assets			57.8		0.0	1.4	0.2		59.4
Receivables from property letting	76.0	-34.3							41.7
Receivables from other management			2.3						2.3
Receivables from other supplies and services	11.0	-1.5							9.5
As of Dec. 31, 2019	**93.2**	**-40.3**	**136.1**	**2.5**	**7.5**	**4.0**	**1.7**	**1.0**	**205.7**
Receivables from the sale of investment properties	5.6	-3.1	186.7	18.8	2.6	34.6	3.0	10.4	258.6
Receivables from the sale of real estate properties			71.0						71.0
Contract assets			107.7	3.4	1.2	0.2			112.5
Receivables from property letting	80.7	-36.3							44.4
Receivables from other management			0.5						0.5
Receivables from other supplies and services	6.0	-0.1							5.9
As of Dec. 31, 2018	92.3	-39.5	365.9	22.2	3.8	34.8	3.0	10.4	492.9

* The maximum default risk on the receivables from the sale of properties is limited to the margin and the transaction unwinding costs as the title to the properties remains with Vonovia as security until receipt of payment.

Accounting Policies

Impairment losses on financial assets are determined based on the expected credit loss model. The guiding principle of the model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments, taking losses that are already expected into account. The IFRS 9 approach includes the following measurement levels:

> Level 1: Twelve-month expected credit losses (ECLs), which applies to all items (from initial recognition) as long as there is no significant deterioration in credit quality.
> Level 2: Lifetime ECLs (homogeneous debtor portfolios), which applies when a significant increase in credit risk has occurred on an individual or a collective basis of financial instruments.
> Level 3: Lifetime ECLs (based on an individual assessment): If an individual assessment of assets produces objective indications of a need for impairment, then an assessment of the entire maturity of the financial instrument is decisive.

The simplified impairment approach is used with regard to **trade receivables** (e.g., rent receivables, receivables from ancillary costs, receivables from the sale of properties) and for **contract assets** pursuant to IFRS 15. This means that there is no need to track the changes in credit risk. Instead, Vonovia has to set up loan loss provisions in the amount of the lifetime expected credit losses both at the time of initial recognition and on each following reporting date.

The carrying amounts of current trade receivables correspond to their fair values.

The receivables from the sale of real estate inventories and the contract assets reported in the current fiscal year result entirely from the takeover of BUWOG.

In principle, all impaired trade receivables are due and payable. As regards the trade receivables that are neither impaired nor past due, there was no indication on the reporting date that the debtors would not meet their payment obligations.

Receivables from the sale of properties arise on economic transfer of ownership. The due date of the receivable may, however, depend on the fulfillment of contractual obligations. Some purchase contracts provide for the purchase price to be deposited in an escrow account. Impairment losses for doubtful debts are recorded up to the amount of the posted proceeds from sales.

Vonovia's receivables from property letting generally arise at the beginning of the month, are of a short-term nature and result from claims in relation to tenants relating to operating business activities. Due to the (subsequent) measurement at amortized cost, an impairment test has to be performed. The receivables fall under the scope of the calculation of expected credit losses.

In accordance with the general provisions set out in IFRS 9, expected credit losses are to be recognized using the simplified approach for current trade receivables without any significant financing component.

Irrespective of their term, Vonovia initially assigns receivables to level 2 of the impairment model. In the further course, they need to be moved to level 3 of the impairment model if there is objective evidence of impairment. The transfer from level 2 to level 3 is to be made at the latest when the contractual payments have been overdue for more than 90 days. This assumption can, however, be refuted in individual cases if there are no other objective indications pointing toward a default. Receivables always have to be transferred to the next level if a legally enforceable instrument has been obtained against the tenant as part of a dunning procedure. If the objective evidence of impairment ceases to apply, the receivable is transferred (back) to level 2 of the impairment model.

If Vonovia becomes aware of any major changes in market conditions and/or a debtor's circumstances, it reevaluates the expected credit losses without delay. This procedure ensures that receivables are transferred to the right level in the impairment model as soon as possible.

Vonovia uses a credit loss matrix when calculating expected credit losses for trade receivables. The matrix is based on historical default rates and takes current expectations into account, including macroeconomic indicators (e.g., GDP). The matrix can be used to calculate the expected credit losses for various homogeneous portfolios.

In order to create portfolios for the purpose of assessing the probability of default, the individual clusters of receivables need to have homogeneous credit risk characteristics. As far as receivables from its operating business activities are concerned, i.e., the rental of residential properties, Vonovia makes a distinction between receivables from existing tenants and receivables from former tenants. Both portfolios include current receivables that are exposed to a low level of volatility, as the company's core operating business is hardly exposed to any major fluctuations. The main effects on receivables in the past are attributable to corporate takeovers by Vonovia.

Calculation Method for Receivables from Former Tenants
The calculation of the probability of default is based on the results of an analysis of the historical probability of default. Cash flows relating to outstanding receivables over the last three years have been analyzed and an average amount of incoming payments for the year in question was calculated on a monthly basis. The average monthly incoming payments were compared against the average monthly receivables for the year in question. Ultimately, Vonovia has been able to collect approx. 4.5% of the average receivables over the last three years. This means that Vonovia sets up risk provisions corresponding to a rounded total of 95% for its receivables from former tenants.

The loss given default comprises the following:

The receivables of former tenants that are being analyzed (amount of the receivable at the time of default) are corrected to reflect retained deposits that serve as security for Vonovia. This is already taken into account as part of the calculation method used for the probability of default.

The average receivables taken as a basis do not include receivables subject to specific valuation allowances that were written off in full.

Receivables from Existing Tenants
When it comes to determining the probability of default with regard to receivables associated with ongoing lease agreements, Vonovia analyzes those receivables that have actually been derecognized over the last three years. This is performed systematically by way of a receivables management system according to the aspects receivables relating to ancillary expenses, net rent, rent adjustments and payment difficulties.

Impairment losses on trade receivables developed as follows:

in € million	
Impairment losses as of Jan. 1, 2019	39.5
Addition	30.5
Addition due to business combinations	1.5
Utilization	-29.3
Reversal	-1.9
Impairment losses as of Dec. 31, 2019	**40.3**
Impairment losses as of Jan. 1, 2018	41.8
Addition	24.1
Addition due to business combinations	6.9
Utilization	-30.8
Reversal	-2.5
Impairment losses as of Dec. 31, 2018	39.5

Within the impairment losses on receivables from property letting, the risk provisions are generally taken into account as follows: For existing tenants, a risk provision corresponding to between 18% and 40% of the receivables, in a total amount of € 7.8 million (Dec. 31, 2018: € 8.1 million), was set up depending on the term. In cases involving payment difficulties, the provision corresponded to between 40% and 95% of the receivables and amounted to € 4.9 million in total (Dec. 31, 2018: € 4.9 million). The risk provisions for former tenants correspond to 85% to 95% of the receivables and amount to € 17.2 million in total (Dec. 31, 2018: € 13.4 million).

For contracts with customers who are assigned to Vonovia's development business, the payment terms pursuant to Section 3 (2) of the Real Estate Agent and Commercial Contractor Regulation (MaBV) generally apply in Germany. Customers also have a contractual obligation to present a financing commitment issued by a credit institution for the entire purchase price. Otherwise, Vonovia is entitled to withdraw from the agreement. In Austria, the installment plan pursuant to Section 10 (2) of the Austrian Property Development Contract Act (BTVG) is normally applied, with customers obliged to pay the entire purchase price into an escrow account. Due to the structure of the standard payment terms in the development business, no separate impairment losses are taken into account on corresponding receivables from customer contracts.

For example, receivables are derecognized if tenants die and have no heirs, if they move to an unknown location or move abroad, if execution is impossible for the court bailiff, in cases involving bankruptcy or if a settlement was reached.

The following table shows the expenses for the full derecognition of receivables, as well as income from the receipt of derecognized receivables:

in € million	2018	2019
Expenses for the derecognition of receivables	2.8	1.9
Income from the receipt of derecognized receivables	3.8	7.1

34 Cash and Cash Equivalents

Accounting Policies

Cash and cash equivalents include cash on hand, checks and deposits at banking institutions as well as marketable securities with an original term of up to three months.

Cash and cash equivalents are measured using the general impairment approach in accordance with IFRS 9.

Cash and cash equivalents include cash on hand, checks and deposits at banking institutions totaling € 500.7 million (Dec. 31, 2018: € 547.7 million).

In the amount of € 97.3 million (Dec. 31, 2018: € 57.2 million) of the bank balances are restricted with regard to their use.

35 Real Estate Inventories

Accounting Policies

The **development business related to the acquisition** refers to subsidized or independently financed condominiums that are under construction or have already been completed. These properties are not held with the aim of generating rental income or achieving increases in value within the meaning of IAS 40, but rather are developed and constructed to be sold at a later date.

These development projects are recognized depending on whether there is a customer contract for the residential units that are intended for sale. If this is not the case, a valuation in accordance with IAS 2 at the lower of amortized cost and net realizable value is performed due to the intention to sell, with a corresponding disclosure under real estate inventories.

Recognized real estate inventories in the amount of € 358.3 million (Dec. 31, 2018: € 307.1 million) mainly concern development projects. These are projects to construct residential units planned for sale that are currently being built or that have been completed but have not yet been sold. The item also includes undeveloped land that will be used for future project developments.

36 Assets Held for Sale

Accounting Policies

To be classified as **held for sale**, the **assets** must be available for immediate sale in their present condition subject only to terms that are usual and customary for sales of such assets, and it must be highly probable that a sale will take place. A sale is deemed to be highly probable if there is a commitment to a plan to sell the asset, an active program to locate a buyer and complete the plan has been initiated, the asset is being actively marketed for sale at a reasonable price, and a sale is expected to be completed within one year of the date on which the asset is classified as held for sale.

Vonovia accounts for investment properties as assets held for sale when notarized purchase contracts have been signed or a declaration of intent to purchase has been signed by both parties as of the reporting date but transfer of title will, under the contract, not take place until the subsequent reporting period. Initially they are recognized at the contractually agreed selling price and subsequently at fair value following deductions for costs to sell, if the latter is lower.

The assets held for sale include properties totaling € 134.1 million (Dec. 31, 2018: € 105.9 million) for which notarized purchase contracts had already been signed as of the reporting date.

Section (E): Capital Structure

37 Total Equity

Accounting Policies

Other comprehensive income includes changes in total comprehensive income not affecting net income except that resulting from capital transactions with equity holders (e.g., capital increases or dividend distributions). Vonovia includes under this item unrealized gains and losses from the fair value measurement of equity instruments and derivative financial instruments that are designated as cash flow hedges. The item also includes actuarial gains and losses from defined benefit pension commitments as well as certain currency translation differences.

The **other reserves** contain cumulative changes in equity not affecting income. At Vonovia, the effective portion of the net change in the fair value of cash flow hedging instruments, the equity instruments at fair value as well as currency translation differences are recognized in other comprehensive income.

The other reserves from cash flow hedges and from currency translation differences can be reclassified. When the underlying hedged item of the cash flow hedge affects net income, the reserves attributable thereto are reclassified to profit or loss. If a foreign business is disposed of, the reserves attributable thereto are reclassified.

Development of the Subscribed Capital

in €

As of Jan. 1, 2019	**518,077,934.00**
Capital increase against cash contributions on May 16, 2019	16,500,000.00
Capital increase against non-cash contributions on June 13, 2019 (scrip dividend)	7,695,677.00
As of Dec. 31, 2019	**542,273,611.00**

Development of the Capital Reserves

in €

As of Jan. 1, 2019	**7,183,423,174.39**
Premium from capital increase on May 16, 2019	727,650,000.00
Premium from capital increase for scrip dividend on June 13, 2019	333,622,989.30
Transaction costs on the issue of new shares (after allowing for deferred taxes)	-5,047,506.00
Other changes not affecting net income	44,919.29
As of Dec. 31, 2019	**8,239,693,576.98**

Cash Capital Increase

On May 13, 2019, with the agreement of the Supervisory Board's Finance Committee, Vonovia SE increased the share capital in return for a cash contribution, partially using the 2018 authorized capital and excluding a subscription right, by € 16,500,000.00 from € 518,077,934.00 to € 534,577,934.00. The increase was entered in the commercial register on May 16, 2019.

The 16,500,000 new no-par-value registered shares were placed with institutional investors in the scope of a private placement by means of an accelerated book building procedure and carry dividend rights as of January 1, 2019.

The shares were granted at a placement price of € 45.10 per share, delivering issue proceeds to Vonovia SE in the amount of € 744.2 million before commission and expenses. The net issue proceeds from the capital increase were used to refinance the acquisition of a Swedish real estate portfolio by Vonovia's Swedish subsidiary, Victoria Park AB, at Group level and to finance future growth, with the remaining portion being used for general business purposes.

Dividend

The Annual General Meeting held on May 16, 2019, resolved to pay a dividend for the 2018 fiscal year in the amount of € 1.44 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 45.8% of the shares carrying dividend rights opted for the scrip dividend as opposed to the cash dividend. As a result, 7,695,677 new shares were issued using the company's authorized capital pursuant to Section 5b of the Articles of Association ("2018 authorized capital") at a subscription price of € 44.352, i.e., a total amount of € 341,318,666.30. This means that the total number of Vonovia's shares has risen to 542,273,611. The total amount of the dividend distributed in cash therefore came to € 404,713,558.66.

Authorized Capital

After being used in connection with the two capital increases in 2019, the 2018 authorized capital fell by € 24,195,677.00 from € 242,550,413.00 to € 218,354,736.00 as of December 31, 2019. Shareholder subscription rights for the 2018 authorized capital can be excluded.

Retained Earnings

As of December 31, 2019, retained earnings amounted to € 10,534.4 million (Dec. 31, 2018: € 9,942.0 million). This figure includes actuarial gains and losses of € -104.6 million (Dec. 31, 2018: € -69.0 million), which cannot be reclassified and therefore may no longer be recognized in profit or loss in subsequent reporting periods. The changes not affecting net income in the amount of € -42.3 million mainly include additional purchases of shares in Victoria Park, which are not classified as a linked transaction and the allocation of guaranteed dividends.

Other Reserves

The changes in the equity instruments at fair value in other comprehensive income are mainly due to the sale of around 16.8 million shares in Deutsche Wohnen SE with effect from February 1, 2019 to institutional investors as part of an accelerated book building procedure at a price per share of € 41.50. This results in total proceeds of € 698.1 million. The total profit of € 292.6 million was reclassified, without affecting net income, from other reserves to retained earnings pursuant to the designation under IFRS 9 when the transaction was completed.

Changes in other comprehensive income during the period in the amount of € 38.1 million (2018: € 77.5 million) relate primarily to the increase in the price of shares in Deutsche Wohnen SE up until the time of sale, the increase in the value of the non-current equity investment in OCCPI JUNO and, with the opposite effect, to a drop in currency translation differences.

Equity Attributable to Hybrid Capital Investors

In December 2014, Vonovia issued a hybrid bond with a nominal volume of € 1.0 billion via a subsidiary, Vonovia Finance B.V., Amsterdam/Netherlands (issuer). This subordinated hybrid bond is of unlimited duration and can only be terminated by Vonovia on certain contractually fixed dates or occasions.

Up until the first termination date in December 2021, the hybrid bond shall bear interest at a rate of 4.0% p.a. If the bond is not terminated, then the coupon for the next five-year period increases automatically (step-up clause). The bond terms and conditions do not provide for any unconditional legal obligations to pay interest. Interest that is not paid out is carried forward to the new account and accumulated. If a resolution is passed on a dividend, or if a voluntary payment is made in connection with comparable subordinated bonds, then this triggers an interest payment obligation for this bond.

Pursuant to IAS 32, the hybrid bond is to be classified as equity in full. The interest payments to be made to the bondholders are recognized directly in equity.

Non-Controlling Interests

Shares of third parties in Group companies are recognized under non-controlling interests.

The changes of the retained earnings of the non-controlling interests in the amount of € 127.0 million recognized directly in equity result mainly from the purchase of further shares in Victoria Park AB on the stock exchange, the recall of preference shares in Victoria Park AB and the squeeze-out process to acquire all outstanding shares in Victoria Park (see also Business Combinations → p. 149 et seqq.). Furthermore, the sale of the property portfolio of 12. CR Immobilien-Vermietungsgesellschaft mbH & Co. SÜDOST WOBA Striesen KG, which was included in the scope of consolidation as a special purpose entity, led to the entity being deconsolidated.

38 Provisions

	Dec. 31, 2018		Dec. 31, 2019	
in € million	non-current	current	non-current	current
Provisions for pensions and similar obligations	520.6	–	569.9	–
Provisions for taxes (current income taxes excl. deferred taxes)	–	180.3	–	211.1
Other provisions				
Environmental remediation	14.8	0.2	13.0	–
Personnel obligations	60.2	66.6	61.7	71.8
Outstanding trade invoices	–	61.7	–	109.8
Miscellaneous other provisions	21.1	141.7	17.8	137.5
Total other provisions	96.1	270.2	92.5	319.1
Total provisions	**616.7**	**450.5**	**662.4**	**530.2**

Provisions for Pensions and Similar Obligations

Accounting Policies

When valuing the provisions for pensions, the company pension obligations are determined using the projected unit credit method pursuant to IAS 19 "Employee Benefits," whereby current pensions and vested pension rights as of the reporting date as well as expected future increases in salaries and pensions are included in the valuation. An actuarial valuation is performed at every reporting date.

The amount shown in the balance sheet is the total present value of the defined benefit obligations (DBO) after offsetting against the fair value of the plan assets.

Actuarial gains and losses are accounted for in full in the period in which they occur and recognized in retained earnings as a component of other comprehensive income and not in profit or loss. The actuarial gains and losses are also no longer recognized with effect on net income in subsequent periods.

Service cost is shown in personnel expenses. The service cost is the increase in the present value of a defined benefit obligation resulting from employee service in the reporting period.

The interest expense is recognized in the financial result. Interest expense is the increase during a period in the present value of a defined benefit obligation that generally arises due to the fact that the benefit obligation is one period closer to being discharged.

Reinsurance contracts that qualify as plan assets have been taken out to cover the pension obligations toward particular individuals. Where the value of those reinsurance contracts exceeds the related pension obligations, the excess is recognized as an asset and shown under other assets.

Obligations from joint defined benefit multi-employer plans at Versorgungsanstalt des Bundes und der Länder (VBL), a pension scheme operated by the German federal government and the German states, are stated, in line with IAS 19.34, in the same way as obligations from defined contribution plans, insofar as the information required for the statement of defined benefit plans is not available. The obligations are based on the amounts to be paid for the current period.

Vonovia has pension obligations toward various employees which are based on the length of service. Defined benefit and defined contribution obligations – for which Vonovia guarantees a certain level of benefit – are financed through provisions for pensions. Vonovia has taken out reinsurance contracts for individual people.

Generally, they are pension benefits that depend on the final salary with percentage increases depending on the number of years of service.

The pension commitments cover 3,866 (Dec. 31, 2018: 4,003) eligible persons.

Executives currently working for companies belonging to Vonovia have the opportunity to participate in the "Pension Instead of Cash Remuneration" model (Versorgungsbezüge anstelle von Barbezügen) in the version dated October 2003 (eligible persons: 306). Retirement, invalidity and surviving dependent benefits in the form of a lifelong pension are offered under this deferred compensation model. The retirement benefits can also be paid out as a one-time capital sum.

The 2002 pension scheme (VO 2002) for Vonovia employees replaces the pension systems that existed until December 31, 2001 (eligible persons: 722). For employees who joined the company prior to 1991, existing claims arising from the previous pension commitment as of December 31, 2001, are protected in the form of a status of possession. After this point, these employees acquire rights to future pension benefits in accordance with VO 2002. With the introduction of VO 2002, the pension regulations for employees joining the company after 1990 was updated with regard to changes in legislation and court rulings. Pension components acquired before the date VO 2002 replaced the previous pension systems remain in existence. As part of VO 2002, retirement, invalidity and surviving dependent benefits are provided in the form of lifelong pensions. The pension is calculated as the sum of annually acquired pension components that form a fixed percentage of salary. Salary components exceeding the income limit for the assessment of contributions to statutory pension insurance are weighted in a quadruple manner. For new pension commitments beginning in 2002, a pension guarantee of 1.0% p. a. is provided. For all other employees, the provisions of Section 16 of the German Occupational Pensions Improvement Act (BetrAVG) apply.

The following overview summarizes the most important basic data of the closed pension plans:

	VO 1 Veba Immobilien	VO 91 Eisenbahnges.	Bochumer Verband
Type of benefits	Retirement, invalidity and surviving dependent benefits	Retirement, invalidity and surviving dependent benefits	Retirement, invalidity and surviving dependent benefits
Pensionable remuneration	Final salary	Final salary	Not applicable
Max. pension level			
Remuneration up to state pension assessment limit	25%	27%	Depends on individual grouping
Remuneration in excess of state pension assessment limit	25%	72%	
Total pension model based on final salary	Yes	Yes	No
Net benefit limit incl. state pension	None	90%	None
Gross benefit limit	70%	None	None
Adjustment of pensions	Section 16, (1,2) BetrAVG	Section 16, (1,2) BetrAVG	Adjustment every 3 years by Bochumer Verband (Management Board resolution)
Supplementary periods	Age of 55	None	Age of 55 (half)
Legal basis	Works agreement	Works agreement	Commitment to executives in individual contracts
Number of eligible persons	290	377	410

	VO 60 Eisenbahnges.	Viterra commitment to Management Board members (with plan assets)	VO guideline Gagfah M
Type of benefits	Retirement, invalidity and surviving dependent benefits	Retirement, invalidity and surviving dependent benefits	Retirement, invalidity and surviving dependent benefits
Pensionable remuneration	Final salary	Final salary	Final salary
Max. pension level			
Remuneration up to state pension assessment limit	48%	75%	No
Remuneration in excess of state pension assessment limit	48%	75%	No
Total pension model based on final salary	Yes	No	Yes
Net benefit limit incl. state pension	None	None	None
Gross benefit limit	75%	None	75%
Adjustment of pensions	Section 16, (1,2) BetrAVG	Annual according to development of cost of living	Section 16, (1,2) BetrAVG
Supplementary periods	None	None	Age of 55
Legal basis	Works agreement	Commitment to Management Board members in individual contracts	Works agreement
Number of eligible persons	126	6	319

	VO 2017 VBL-Ersatzversorgung
Type of benefits	Retirement, invalidity and surviving dependent benefits
Pensionable remuneration	Yes
Max. pension level	Yes
Remuneration up to state pension assessment limit	No
Remuneration in excess of state pension assessment limit	No
Total pension model based on final salary	No
Net benefit limit incl. state pension	None
Gross benefit limit	None
Adjustment of pensions	1%
Supplementary periods	None
Legal basis	Individual agreement
Number of eligible persons	109

The current pensions according to the classic pension benefit regulations of Bochumer Verband are adjusted in line with Section 20 of those regulations. Section 20 is a rule which is based on Section 16 (1,2) of the German Occupational Pensions Improvement Act (BetrAVG) but which, according to a ruling of the Federal Labor Court of Germany, is an independent rule. Other company pensions are reviewed and adjusted under the terms of the agreement according to Section 16 (1,2) BetrAVG. On every review date, the development of the cost of living since the individual retirement date is reviewed and compensated for. Only in the aforementioned deferred compensation model is the option, available since January 1, 1999, used to raise the current pensions every year by 1% (Section 16 (3) No. 1 BetrAVG). No further risks are seen.

The company has decided to use the internal financing effect of the provisions for pensions and only to back a relatively small portion of the pension obligations with plan assets. Reinsurance policies have been taken out for former Management Board members against payment of a one-time insurance premium in order to provide additional protection against insolvency; these reinsurance policies were pledged to the eligible persons. They constitute plan assets, which are offset against the gross obligation. The fair value of the reinsurance policies for individual persons is higher than the extent of the obligations toward the respective person. This surplus of the fair values of the assets over the obligation is shown under non-current other assets. The conclusion of further reinsurance policies is not planned.

Pension plan obligations and the expenses necessary to cover these obligations are determined using the projected unit credit method prescribed by IAS 19. Both pensions known on the reporting date and vested rights as well as expected future increases in salaries and pensions are included in the measurement. The following actuarial assumptions were made at the reporting date – in each case related to the end of the year and with economic effect for the following year.

Actuarial Assumptions

in %	Dec. 31, 2018	Dec. 31, 2019
Actuarial interest rate	1.70	1.00
Pension trend	1.75	1.75
Salary trend	2.75	2.75

The 2018 G mortality tables of Prof. Dr. Klaus Heubeck have been taken for the biometric assumptions without any changes.

The defined benefit obligation (DBO) developed as follows:

in € million	2018	2019
DBO as of Jan. 1	535.0	541.8
Additions due to business combinations	4.3	–
Interest expense	8.9	9.0
Current service cost	10.6	10.9
Actuarial gains and losses:		
Changes in the biometric assumptions	8.5	-5.1
Changes in the financial assumptions	–	59.3
Benefits paid	-25.5	-24.9
DBO as of Dec. 31	**541.8**	**591.0**

The present value of the defined benefit obligation is divided among the groups of eligible persons as follows:

in € million	2018	2019
Active employees	111.6	128.1
Former employees with vested pension rights	96.6	114.9
Pensioners	333.6	348.0
DBO as of Dec. 31	**541.8**	**591.0**

Plan assets comprise solely reinsurance contracts. The fair value of the plan assets has developed as follows:

in € million	2018	2019
Fair value of plan assets as of Jan. 1	22.4	22.3
Additions due to business combinations	0.3	–
Return calculated using the actuarial interest rate	0.4	0.4
Actuarial gains:		
Changes in the financial assumptions	0.5	0.5
Benefits paid	-1.3	-1.4
Fair value of plan assets as of Dec. 31	**22.3**	**21.8**

The actual return on plan assets amounted to € 0.8 million during the fiscal year (2018: € 0.8 million).

The following table shows a reconciliation of the defined benefit obligation to the pension obligation recognized in the balance sheet:

in € million	Dec. 31, 2018	Dec. 31, 2019
Present value of funded obligations*	36.4	39.6
Present value of unfunded obligations	505.4	551.3
Total present value of defined benefit obligations	541.8	590.9
Fair value of plan assets*	-22.3	-21.8
Net liability recognized in the balance sheet	519.5	569.1
Other assets to be recognized	1.1	0.8
Provisions for pensions recognized in the balance sheet	**520.6**	**569.9**

* Largely attributable to the "Viterra Management Board commitment" and "Gagfah Management Board commitment" pension plans.

In 2019, actuarial losses of € 53.7 million (excluding deferred taxes) were recognized in other comprehensive income.

The weighted average term of the defined benefit obligations is 15.8 years.

The following table contains the projected, undiscounted pension payments of the coming five fiscal years and the total of those in the subsequent five fiscal years:

in € million	Projected pension payments
2020	25.8
2021	25.1
2022	24.7
2023	24.4
2024	24.4
2025–2029	120.6

Sensitivity Analyses

An increase or decrease in the material actuarial assumptions would have led to the following DBO as of December 31, 2019, providing the other assumptions did not change:

in € million		DBO
Actuarial interest rate	Increase by 0.5%	547.5
	Decrease by 0.5%	640.2
Pension trend	Increase by 0.25%	604.1
	Decrease by 0.25%	577.4

An increase in life expectancy of 4.9% would have resulted in an increase in the defined benefit obligation of € 27.7 million as of December 31, 2019. This percentage rise corresponds to a one-year increase in the life expectancy of a man who was 65 at the reporting date.

If several assumptions are changed simultaneously, the cumulative effect is not necessarily the same as if there had been a change in just one of the assumptions.

The provisions for pensions include € 4.4 million (Dec. 31, 2018: € 4.7 million) for pension obligations which were transferred to third parties as part of an assumption of debt and which relate to vested rights and the payment of current pensions. A corresponding non-current receivable is shown under miscellaneous other assets.

Other Provisions

Accounting Policies

Other provisions are recognized when there is a present obligation, either legal or constructive, vis-à-vis third parties as a result of a past event if it is probable that a claim will be asserted and the probable amount of the required provision can be reliably estimated. Provisions are discounted if the resulting effect is material. The carrying amount of discounted provisions increases in each period to reflect the passage of time and the unwinding of the discount is recognized within interest expense. The discount rate is a pre-tax rate that reflects current market assessments.

Provisions for restructuring expenses are recognized when the Group has set up and communicated a detailed formal plan for restructuring and has no realistic possibility of withdrawing from these obligations.

Provisions for onerous contracts are recognized when the expected benefits from a contract are lower than the unavoidable cost of meeting the obligations under the contract. The provision is stated at the lower of the present value of the fulfillment obligation and the cost of terminating the contract, i. e., a possible indemnity or fine for breach or non-fulfillment of contract.

Provisions are reviewed regularly and adjusted to reflect new information or changed circumstances.

The provisions for **pre-retirement part-time work arrangements** are basically to be classified as other long-term employee benefits that are to be accrued over the employees' service periods.

The assets of the insolvency policy to secure fulfillment shortfalls arising from pre-retirement part-time work arrangements are offset against the amounts for fulfillment shortfalls contained in the provisions for pre-retirement part-time work arrangements.

A **contingent liability** is a possible obligation toward third parties that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events or a present obligation that arises from past events for which an outflow of resources is not probable or the amount of which cannot be estimated with sufficient reliability. According to IAS 37, contingent liabilities are not generally recognized.

Development of Other Provisions during the Fiscal Year

in € million	As of Jan. 1, 2019	Additions due to changes in scope of consolidation	Additions	Reversals	Interest accretion to provisions	Netting plan asset	Utilization	As of Dec. 31, 2019
Other provisions								
Environmental remediation	15.0	–	–	-0.2	0.2	–	-2.0	13.0
Personnel obligations	126.8	–	70.3	-5.2	0.3	–	-58.7	133.5
Outstanding trade invoices	61.7	–	131.1	-8.0	–	–	-75.0	109.8
Miscellaneous other provisions	162.8	0.3	52.0	-12.3	0.8	–	-48.3	155.3
	366.3	**0.3**	**253.4**	**-25.7**	**1.3**	**–**	**-184.0**	**411.6**

Development of Other Provisions during the Previous Year

in € million	As of Jan. 1, 2018	Additions due to changes in scope of consolidation	Additions	Reversals	Interest accretion to provisions	Netting plan asset	Utilization	As of Dec. 31, 2018
Other provisions								
Environmental remediation	16.9	–	–	–	0.1	–	-2.0	15.0
Personnel obligations	127.5	3.7	47.4	-9.3	0.3	0.3	-43.1	126.8
Outstanding trade invoices	50.0	–	54.6	-8.7	–	–	-34.2	61.7
Miscellaneous other provisions	120.3	38.8	58.8	-21.6	0.1	–	-33.6	162.8
	314.7	**42.5**	**160.8**	**-39.6**	**0.5**	**0.3**	**-112.9**	**366.3**

Reversals of provisions are generally offset against the expense items for which they were originally established.

The provisions for environmental remediation primarily refer to site remediation of locations of the former Raab Karcher companies. Remediation has either already begun or an agreement has been reached with the authorities as to how the damage is to be remedied. The cost estimates are based on expert opinions detailing the anticipated duration of the remediation work and the anticipated cost.

The personnel obligations are provisions for pre-retirement part-time work arrangements, provisions for bonuses, severance payments not relating to restructuring and other personnel expenses. The other personnel expenses include a provision for the long-term incentive plan (LTIP) determined in accordance with IFRS 2 of € 23.7 million (Dec. 31, 2018: € 17.8 million) (see chapter [E47] Share-Based Payment).

The material individual cost items under miscellaneous other provisions include costs associated with legal disputes in the amount of € 14.1 million (2018: € 18.7 million), allocations to the provisions for pre-retirement part-time work arrangements in the amount of € 2.3 million (2018: € 14.0 million) and € 0.1 million (2018: € 0.1 million) in costs in connection with tax returns.

The Group expects to settle the lion's share of the provision over the coming year.

39 Trade Payables

	Dec. 31, 2018		Dec. 31, 2019	
in € million	non-current	current	non-current	current
Liabilities				
from property letting	–	68.8	–	73.8
from other supplies and services	4.4	170.3	5.1	145.3
	4.4	**239.1**	**5.1**	**219.1**

40 Non-derivative Financial Liabilities

	Dec. 31, 2018		Dec. 31, 2019	
in € million	non-current	current	non-current	current
Non-derivative financial liabilities				
Liabilities to banks	4,893.5	306.6	6,853.9	549.1
Liabilities to other creditors	12,544.0	2,272.0	14,344.1	1,727.6
Deferred interest from non-derivative financial liabilities	–	119.9	–	100.2
	17,437.5	**2,698.5**	**21,198.0**	**2,376.9**

Accounting Policies

Vonovia recognizes **non-derivative financial liabilities**, which mainly include liabilities to banks and to investors, at their fair value on the day of trading, less the directly attributable transaction costs (this generally corresponds to the acquisition cost). These liabilities are subsequently measured at amortized cost using the effective interest method. Financial liabilities are derecognized when Vonovia's obligations specified in the contract expire or are discharged or canceled.

Liabilities bearing no interest or interest below market rates in return for occupancy rights at rents below the prevailing market rates are recorded at present value.

Deferred interest is presented as current in order to show the cash effectiveness of the interest payments transparently. In principle, the deferred interest is part of the non-derivative financial liability. Of the deferred interest from non-derivative financial liabilities, € 89.7 million (Dec. 31, 2018: € 113.9 million) is from bonds reported under non-derivative financial liabilities to other creditors.

The non-derivative financial liabilities developed as follows in the fiscal year under review:

in € million	**As of Jan. 1, 2019**	First-time consoli-dation	New loans	Scheduled repay-ments	Unsche-duled repayments	Adjusted for effective interest method	Other adjust-ments	Exchange rate diffe-rences	**As of Dec. 31, 2019**
Bond	599.6			-600.0		0.4			0.0
Bonds (Sweden)	62.4			-56.9		-3.9		-1.6	0.0
Bonds (USD)	215.1					4.3			219.4
Bonds (EMTN)	11,760.3		3,000.0	-500.0	-697.7	-16.7			13,545.9
Bond (Hybrid)	699.2			-700.0		0.8			0.0
Commercial Paper	420.0		300.0	-420.0					300.0
Promissory note loan			50.0			-0.1			49.9
Portfolio loans									
Pfandbriefbank, Landesbank Baden-Württemberg			500.0			0.6			500.6
Berlin Hannoversche Hypothekenbank, Hessische Landesbank					-50.7		512.5		461.8
Berlin-Hannoversche Hypothekenbank (Landesbank Berlin)	499.4								499.4
Berlin Hannoversche Hypothekenbank, Landesbank Berlin und Landesbank Baden-Württemberg	320.5			-4.2	-23.8	0.6			293.1
Deutsche Hypothekenbank	169.1			-5.2		-2.7			161.2
Commerzbank			168.0			-0.1			167.9
Nordrheinische Ärzteversorgung	29.7			-0.8	-1.2				27.7
Norddeutsche Landesbank	113.4			-3.5					109.9
Berlin-Hannoversche Hypothekenbank Buwog Lüneburg	19.6			-0.5		-0.1			19.0
UniCredit – HVB Buwog Berlin	29.3			-0.7		-0.2			28.4
UniCredit – HVB Buwog Kreuzberg	3.6			-0.1					3.5
UniCredit – HVB Buwog Kiel	15.8			-0.4		-0.1			15.3
UniCredit – HVB Tempelhofer Feld	23.9			-0.6		-1.7			21.6
Mortgages	5,035.2		1,300.8	-272.6	-287.7	-9.0	-511.9	-10.1	5,244.7
Hembla:									
Mortgages		1.765.4	14.4			0.4		25.2	1,805.4
Other deferred interest	119.9						-19.7		100.2
	20,136.0	**1,765.4**	**5,333.2**	**-2,565.5**	**-1,061.1**	**-27.5**	**-19.1**	**13.5**	**23,574.9**

The non-derivative financial liabilities developed as follows in the previous year:

in € million	**As of Jan. 1, 2018**	First-time consoli-dation	New loans	Scheduled repay-ments	Unsche-duled repayments	Adjusted for effective interest method	Other adjust-ments	Ex-change rate diffe-rences	**As of Dec. 31, 2018**
Bond	598.9					0.7			599.6
Bonds (USD)	204.8					10.3			215.1
Bonds (EMTN)	8,688.6		3,600.0	-500.0		-28.3			11,760.3
Bond (Hybrid)	697.3					1.9			699.2
Commercial Paper	410.2		813.0	-803.0		-0.2			420.0
Portfolio loans									
Berlin-Hannoversche Hypothe-kenbank (Landesbank Berlin)	489.3		50.5	-2.1	-38.5	0.2			499.4
Berlin-Hannoversche Hypothekenbank, Landesbank Berlin und Landesbank Baden-Württemberg	341.3			-4.2	-17.3	0.7			320.5
Deutsche Hypothekenbank	176.8			-5.0		-2.7			169.1
Nordrheinische Ärzteversorgung	31.6			-0.7	-1.2				29.7
Norddeutsche Landesbank	116.7			-3.4		0.1			113.4
Mortgages	2,228.2		207.1	-50.4	-94.5	7.2			2,297.6
Working capital facility			100.0	-100.0					
BUWOG:									
Mortgages		1,958.9	203.9	-39.3	-190.3	4.9			1,938.1
Victoria Park:									
Bonds		101.6		-38.3		-2.0		1.1	62.4
Mortgages		804.2	89.7	-13.4		-5.4		16.6	891.7
Other deferred interest	76.8	2.5					40.6		119.9
	14,060.5	**2,867.2**	**5,064.2**	**-1,559.8**	**-341.8**	**-12.6**	**40.6**	**17.7**	**20,136.0**

The U.S. dollar bond issued in 2013 is translated at the exchange rate at the end of the reporting period in line with applicable IFRS provisions. Allowing for the hedging rate prescribed through the interest hedging transaction entered into, this financial liability would be € 37.8 million lower than the recognized value (Dec. 31, 2018: € 33.5 million).

The maturities and average interest rates of the nominal obligations of the liabilities to banks and the liabilities to other creditors are as follows during the fiscal year:

in € million	Nominal obligation Dec. 31, 2019	Maturity	Average interest rate	Repayment of the nominal obligations is as follows: 2020	2021	2022	2023	2024	from 2025
Bond (US dollar)*	185.0	2023	4.58%				185.0		
Bond (EMTN)*	500.0	2021	3.63%		500.0				
Bond (EMTN)*	500.0	2022	2.13%			500.0			
Bond (EMTN)*	300.6	2020	0.88%	300.6					
Bond (EMTN)*	500.0	2025	1.50%						500.0
Bond (EMTN)*	751.7	2020	1.63%	751.7					
Bond (EMTN)*	1,000.0	2023	2.25%				1,000.0		
Bond (EMTN)*	500.0	2022	0.88%			500.0			
Bond (EMTN)*	500.0	2026	1.50%						500.0
Bond (EMTN)*	1,000.0	2024	1.25%					1,000.0	
Bond (EMTN)*	500.0	2022	0.75%			500.0			
Bond (EMTN)*	500.0	2027	1.75%						500.0
Bond (EMTN)*	500.0	2025	1.13%						500.0
Bond (EMTN)*	500.0	2024	0.75%					500.0	
Bond (EMTN)*	500.0	2028	1.50%						500.0
Bond (EMTN)*	600.0	2022	0.79%			600.0			
Bond (EMTN)*	500.0	2026	1.50%						500.0
Bond (EMTN)*	500.0	2030	2.13%						500.0
Bond (EMTN)*	500.0	2038	2.75%						500.0
Bond (EMTN)*	500.0	2023	0.88%				500.0		
Bond (EMTN)*	500.0	2025	1.80%						500.0
Bond (EMTN)*	500.0	2029	0.50%						500.0
Bond (EMTN)*	500.0	2034	1.13%						500.0
Bond (EMTN)*	500.0	2023	0.13%				500.0		
Bond (EMTN)*	500.0	2027	0.63%						500.0
Bond (EMTN)*	500.0	2039	1.63%						500.0
Commercial paper*	300.0	2020	-0.23%	300.0					
Promissory note loan*	50.0	2026	0.29%						50.0

in € million	Nominal obligation Dec. 31, 2019	Maturity	Average interest rate	Repayment of the nominal obligations is as follows: 2020	2021	2022	2023	2024	from 2025
Portfolio loans									
Pfandbriefbank, Landesbank Baden-Württemberg*	500.0	2029	1.49%						500.0
Berlin Hannoversche Hypothekenbank, Hessische Landesbank*	461.8	2024	1.27%					461.8	
Berlin-Hannoversche Hypothekenbank (Landesbank Berlin)*	499.4	2028	1.64%						499.4
Berlin Hannoversche Hypothekenbank, Landesbank Berlin und Landesbank Baden-Württemberg*	293.4	2020	3.72%	293.4					
Deutsche Hypothekenbank*	157.5	2021	3.98%	5.5	152.0				
Commerzbank*	168.0	2029	0.54%						168.0
Nordrheinische Ärzteversorgung*	27.7	2022	3.49%	0.8	0.9	26.0			
Norddeutsche Landesbank*	30.5	2020	3.99%	30.5					
	79.7	2023	3.76%	1.2	1.3	1.3	75.9		
Berlin-Hannoversche Hypothekenbank Buwog Lüneburg*	18.7	2021	2.78%	0.5	18.2				
UniCredit – HVB Buwog Berlin*	28.0	2023	2.42%	0.7	0.7	0.7	25.9		
UniCredit – HVB Buwog Kreuzberg*	3.5	2020	0.79%	3.5					
UniCredit – HVB Buwog Kiel*	15.3	2021	2.02%	0.4	14.9				
UniCredit – HVB Tempelhofer Feld*	21.3	2023	1.99%	0.5	0.6	0.6	19.6		
Mortgages**	5,223.5	2035	1.44%	506.0	783.9	576.3	610.9	362.3	2,384.1
Hembla:									
Mortgages**	1,689.4	2024	1.79%	82.7			187.1	442.9	976.7
	23,405.0			**2,278.0**	**1,472.5**	**2,704.9**	**3,104.4**	**2,767.0**	**11,078.2**

* Under the conditions of existing loan agreements, Vonovia is obliged to fulfill certain financial covenants, which it fulfilled.
** For a portion of the mortgages, Vonovia is obliged to fulfill certain financial covenants, which it fulfilled.

In the previous year, the maturities and average interest rates of the nominal obligations were as follows:

				Repayment of the nominal obligations is as follows:					
in € million	**Nominal obligation Dec. 31. 2018**	Maturity	Average interest rate	2019	2020	2021	2022	2023	from 2024
Bond*	600.0	2019	3.13%	600.0					
Bond (US dollar)*	184.9	2023	4.58%					184.9	
Bond (EMTN)*	500.0	2021	3.63%			500.0			
Bond (EMTN)*	500.0	2022	2.13%				500.0		
Bond (EMTN)*	500.0	2020	0.88%		500.0				
Bond (EMTN)*	500.0	2025	1.50%						500.0
Bond (EMTN)*	1,250.0	2020	1.63%		1,250.0				
Bond (EMTN)*	1,000.0	2023	2.25%					1,000.0	
Bond (EMTN)*	500.0	2022	0.88%				500.0		
Bond (EMTN)*	500.0	2026	1.50%						500.0
Bond (EMTN)*	1,000.0	2024	1.25%						1,000.0
Bond (EMTN)*	500.0	2022	0.75%				500.0		
Bond (EMTN)*	500.0	2027	1.75%						500.0
Bond (EMTN)*	500.0	2025	1.13%						500.0
Bond (EMTN)*	500.0	2019	0.03%	500.0					
Bond (EMTN)*	500.0	2024	0.75%						500.0
Bond (EMTN)*	500.0	2028	1.50%						500.0
Bond (EMTN)*	600.0	2022	0.79%				600.0		
Bond (EMTN)*	500.0	2026	1.50%						500.0
Bond (EMTN)*	500.0	2030	2.13%						500.0
Bond (EMTN)*	500.0	2038	2.75%						500.0
Bond (EMTN)*	500.0	2023	0.88%					500.0	
Bond (Hybrid)*	700.0	2019	4.63%	700.0					
Commercial Paper*	420.0	2019	-0.23%	420.0					
Portfolio loans									
Berlin-Hannoversche Hypothekenbank (Landesbank Berlin)*	499.4	2028	1.64%						499.4
Berlin Hannoversche Hypothekenbank, Landesbank Berlin und Landesbank Baden-Württemberg*	321.4	2020	3.71%	4.2	317.2				
Deutsche Hypothekenbank*	162.7	2021	3.98%	5.2	5.5	152.0			
Nordrheinische Ärzteversorgung*	29.7	2022	3.49%	0.7	0.8	0.8	27.4		
Norddeutsche Landesbank*	32.8	2020	3.99%	2.3	30.5				
	80.9	2023	3.76%	1.2	1.2	1.3	1.3	75.9	
Mortgages**	2,328.9	2043	1.49%	129.6	481.2	383.7	199.7	291.0	843.7
BUWOG:									
Mortgages	1,892.9	2029	1.97%	184.4	57.9	84.5	71.7	203.4	1,291.0
Victoria Park:									
Bond	58.5	2020	4.50%		58.5				
Mortgages	872.3	2023	1.79%	32.4	165.9	327.9	163.7	0.4	182.0
	20,034.4			**2,580.0**	**2,868.7**	**1,450.2**	**2,563.8**	**2,255.6**	**8,316.1**

* Under the conditions of existing loan agreements, Vonovia is obliged to fulfill certain financial covenants, which it fulfilled.
** For a portion of the mortgages, Vonovia is obliged to fulfill certain financial covenants, which it fulfilled.

The loan repayments shown for the following years contain contractually fixed minimum repayment amounts.

Of the nominal obligations to creditors, € 8,108.6 million (Dec. 31, 2018: € 4,907.8 million) are secured by land charges and other collateral (account pledge agreements, assignments, pledges of company shares and guarantees). In the event of a breach of the covenants, failure to repay or insolvency, the securities provided are used to satisfy the claims of the creditors.

The nominal interest rates on the financial liabilities to banks and other creditors average approx. 1.53%. The financial liabilities as a whole do not contain any significant short-term interest rate risks as they relate either to loans with long-term fixed interest rates or variable-interest liabilities that are hedged using suitable derivative financial instruments (see chapter [G53] Financial Risk Management).

Repayment of Corporate Bonds

On April 8, 2019, Vonovia repaid the debenture (hybrid) of € 700 million, issued by Dutch subsidiary Vonovia Finance B.V., in full.

Vonovia also repaid the corporate bond (Bond Sweden) issued by its Swedish subsidiary Victoria Park in the amount of € 58.5 million in due form effective June 10, 2019.

On July 25, 2019, Vonovia repaid the subordinated debenture of € 600 million issued by Vonovia Finance B.V. in full.

In September 2019, Vonovia bought back existing bonds via Vonovia Finance B.V. as part of proactive liabilities management. As such, holders of the bond due in December 2020 with an outstanding volume of € 1,250 million and the bond due in March 2020 with an outstanding volume of € 500 million were granted the option of redeeming their bonds before the due date. Ultimately, the bond due in December 2020 was reduced by € 498.3 million to € 751.7 million due to the buyback, whereas the bond due in March 2020 was reduced by € 199.4 million to € 300.6 million.

On November 20, 2019, Vonovia repaid the debenture of € 500 million issued by Vonovia Finance B.V. in full.

Issue of Bonds Under the European Medium-Term Notes Program (EMTN)

With effect from January 29, 2019, and as part of an EMTN program, Vonovia placed a bond with a nominal volume of € 500 million and a coupon of 1.800% maturing on June 29, 2025, via Vonovia Finance B.V. The first interest payment date was June 29, 2019.

Vonovia issued two bonds for € 500 million each via Vonovia Finance B.V. on September 16, 2019. The two bonds were issued with a coupon of 0.500% and a maturity of 10 years and a coupon of 1.125% and a maturity of 15 years, respectively.

Vonovia issued bonds for € 1,500 million via Vonovia Finance B.V. on October 7, 2019. The three bonds of € 500 million each were issued with a coupon of 0.125% and a term of 3.5 years, with a coupon of 0.625% and a term of eight years and with a coupon of 1.625% and a term of 20 years.

Promissory Note Loan

Vonovia SE has initiated the digitalization of its financing strategy by issuing a promissory note loan via a digital platform for the first time. In August 2019, an institutional investor released € 50 million to Vonovia Finance B.V. as part of a private placement, with a loan term of seven years.

New Portfolio Loans

Via its subsidiaries SÜDOST WOBA DRESDEN GMBH and WOHNBAU NORDWEST GmbH, Vonovia took out a 10-year loan of € 500 million from Deutsche Pfandbriefbank AG and Landesbank Baden-Württemberg in January 2019. It is secured by a real estate portfolio in Dresden.

In January 2019, Vonovia assumed an existing BUWOG loan of € 461.8 million from Berlin-Hannoversche Hypothekenbank and Hessische Landesbank. It was previously reported as a mortgage of BUWOG and is now presented separately as a portfolio loan following the takeover. The loan agreement had originally been concluded between the banking consortium and an Austrian subsidiary of what was BUWOG Group GmbH.

Via Vonovia Finance B.V., Vonovia took out a 10-year loan for € 168 million with Commerzbank AG in September 2019, secured by a real estate portfolio in Berlin and Hamburg.

41 Derivatives

in € million	Dec. 31, 2018 non-current	Dec. 31, 2018 current	Dec. 31, 2019 non-current	Dec. 31, 2019 current
Derivatives				
Purchase price liabilities from put options/rights to reimbursement		36.8		39.0
Cash flow hedges	15.2		21.6	
Stand-alone derivatives	54.6		52.5	
Deferred interest from derivatives		4.6		2.0
	69.8	**41.4**	**74.1**	**41.0**

Regarding derivative financial liabilities please refer to chapter [E51] Additional Financial Instrument Disclosures and chapter [E53] Cash Flow Hedges and Stand-alone Interest Rate Swaps.

42 Leases

Accounting Policies

The new leasing standard IFRS 16 "Leases", which applies as a mandatory requirement for fiscal years beginning on or after January 1, 2019, replaces, in particular, the previous leasing standard, IAS 17 "Leases," and introduces only one accounting model (right-of-use model) for lessees, based on which all leases are to be recognized in the balance sheet as a matter of principle. The previous distinction between operating and finance leases only remains in place for accounting at the level of the lessor.

All contracts that give the Vonovia Group the right to control the use of an identified asset over a certain period of time in return for consideration are considered **leases** within the meaning of IFRS 16.

For all contracts that meet the definition of leases according to IFRS 16, Vonovia recognizes lease liabilities equal to the present value of the future lease payments, discounted to reflect the term-specific incremental borrowing rate. Correspondingly, right-of-use assets are recognized in the amount of the lease liabilities, plus any advance payments that have already been made or any initial direct costs.

The lease liabilities are adjusted in line with financial principles. They are increased by the periodic interest expenses and reduced by the lease payments made.

The right-of-use assets are generally recognized at amortized cost, taking depreciation and impairments into account. Right-of-use assets that meet the definition of investment properties (IAS 40) have been recognized at fair value since the time of initial application in line with the recognition and measurement rules set out in IAS 40.

Changes within the lease term or within the lease payments lead to a remeasurement of the present value and, as a result, to an adjustment of the lease liability and the right-of-use asset.

Periods resulting from extension or termination options granted on an unilateral basis are assessed on a case-by-case basis and are only taken into account if their use is sufficiently probable – for example, due to financial incentives.

There is an accounting option available for short-term leases and leases of low-value assets. Vonovia makes use of this option, meaning that such leases are not recognized. Lease contracts that expired within the 2019 fiscal year in line with the contractual conditions were treated as short-term leases, meaning that they were not recognized. As far as rented IT equipment is concerned, portfolios have, in some cases, been set up for leases with similar terms and a single discount rate has been applied to these portfolios.

Lease payments associated with short-term leases, with leases of low-value assets and with lease contracts that do not constitute leases within the meaning of IFRS 16 are recognized as expenses on a straight-line basis over the lease term.

In addition to conventional vehicle leasing over a fixed lease term of three to five years, the Vonovia Group also leases IT equipment (IT leasing), residential and commercial property for subletting (interim leasing), heat generation plants to supply the Group's own properties with heat (contracting) as well as office buildings, office spaces and parking spaces (rental). Under license agreements with public-sector institutions Vonovia is granted the right to use public properties as storage locations or parking spaces, to lay heating pipes or cables, or to construct playgrounds. However, long-term leasehold contracts have the biggest impact on the company's net assets, financial position and results of operations. These involve Vonovia leasing land for the rental of constructed residential and commercial properties. As a matter of principle, these contracts have a term of 99 years.

Development of Right-of-Use Assets

in € million	Jan. 1, 2019	Dec. 31, 2019
Right-of-use assets		
Leasehold contracts	1,019.5	1,223.7
Interim rental agreements	1.4	1.1
Right-of-use assets within investment properties	1,020.9	1,224.8
Leasing of land for the construction of commercial properties used by the Group	26.5	26.2
Lease agreements	22.8	21.4
Contracting	21.2	19.7
Vehicle leases	11.8	6.3
Tenancy and license agreements	2.6	2.4
Leases of IT equipment	2.0	4.4
Right-of-use assets within property, plant and equipment	86.9	80.4
	1,107.8	1,305.2

As of December 31, 2019, the right-of-use assets resulting from leases amount to € 1,305.2 million. This amount includes right-of-use assets resulting from leases previously classified as finance leases according to IAS 17 in the amount of € 82.4 million, € 78.1 million of which is recognized as **investment properties** (Spree-Bellevue) and € 4.3 million of which is recognized under **property, plant and equipment** (heat generation plants).

The majority of the right-of-use assets amounting to € 1,305.2 million is reported under **investment properties** and results not only from interim lease agreements (€ 1.1 million) but mainly from leasehold contracts (€ 1,223.7 million). The other right-of-use assets totaling € 80.4 million are reported under **property, plant and equipment** and mainly include right-of-use assets resulting from the leasing of land for the construction of a commercial property to be used by the company itself (€ 26.2 million), from concluded rental agreements (€ 21.4 million), heating supply contracts (€ 19.7 million) and vehicle lease contracts (€ 6.3 million).

Development of Lease Liabilities

	Jan. 1, 2019			Dec. 31, 2019		
	Due within one year	Due in 1 to 5 years	Due after 5 years	Due within one year	Due in 1 to 5 years	Due after 5 years
Lease liabilities						
Leasehold contracts (IAS 40)	8.9	32.0	305.2	10.6	39.7	338.3
Interim rental agreements	1.0	0.4	-	0.9	0.2	-
Leasing of land for the construction of commercial properties used by the Group	0.1	0.4	26.0	0.1	0.3	26.1
Lease agreements	6.8	12.3	3.7	6.8	12.2	2.6
Contracting	1.8	9.4	10.0	1.9	9.1	8.9
Vehicle leases	6.2	5.6	-	4.7	1.6	-
Tenancy and license agreements	2.0	0.2	0.5	1.8	0.1	0.5
Leases of IT equipment	0.9	1.1	-	1.5	3.0	-
	27.7	61.4	345.4	28.3	66.2	376.4

As of December 31, 2019, the lease liabilities amount to € 470.9 million. This amount includes lease liabilities resulting from leases previously accounted for under IAS 17 in the amount of € 99.3 million. In addition to heat generation plants (€ 4.3 million), these are mainly attributable to the rented Spree-Bellevue property in Berlin (€ 95.0 million).

The majority of the newly recognized lease liabilities accounted for under IFRS 16 amounts to € 371.6 million and results from long-term leasehold contracts (€ 293.6 million).

Totaling € 376.4 million, the majority of the lease liabilities recognized as of December 31, 2019 are due after five years. Of this amount, € 338.3 million is attributable to lease liabilities from leasehold contracts (thereof € 72.5 million which were previously accounted for under IAS 17). Lease liabilities due within one year amount to € 28.3 million, € 5.4 million of which were previously accounted for under IAS 17.

The following table shows the development of the right-of-use assets reported under property, plant and equipment.

in € million	Carrying amount of right-of-use assets Jan. 1, 2019	Additions 2019	Deprecia-tion and amortization 2019	Carrying amount of right-of-use assets Dec. 31, 2019	Interest expenses 2019
Leasing of land for the construction of commercial properties used by the Group	26.5	–	0.3	26.2	0.7
Lease agreements	22.8	5.9	7.1	21.4	0.2
Contracting	21.2	0.6	1.9	19.7	0.6
Vehicle leases	11.8	0.9	6.3	6.3	0.1
Tenancy and license agreements	2.6	1.6	1.9	2.4	–
Leases of IT equipment	2.0	3.8	1.0	4.4	–
	86.9	**12.8**	**18.5**	**80.4**	**1.6**

The interest expenses recognized in the 2019 fiscal year resulting from leases pursuant to IFRS 16 amounted to € 14.0 million, mainly from leasehold contracts (€ 12.4 million).

In 2019, 1,176 lease contracts were classified as short-term leases and thus were not recognized in line with the accounting option available. The corresponding leasing expenses, recognized in fiscal year 2019, amounted to € 3.3 million. Expenses totaling € 8.8 million were incurred in connection with variable lease payments made in 2019. These have not been included in the measurement of lease liabilities.

In addition to variable lease payments as well as payments resulting from short-term leases, each included in the cash flow from operating activities, interest payments and repayments of lease liabilities totaling € 36.4 million were incurred in 2019. Of this amount, € 29.9 million relates to lease liabilities newly recognized in accordance with IFRS 16. Thus, the total cash outflow for leases within the 2019 fiscal year amounted to € 48.5 million.

Total income from subleasing right-of-use assets, mostly from subleasing of right-of-use assets in connection with rented residential and commercial properties, amounts to € 4.6 million. As of the reporting date, there were no significant non-cancellable subtenancies on the Spree-Bellevue property.

The gain arising from the rental of the sold Spree-Bellevue property (sale and leaseback transaction) in 2019 amounted to € 1.0 million. This does not have any material impact on the Group's cash flows.

43 Liabilities to Non-controlling Interests

Accounting Policies

Liabilities to non-controlling interests, which include obligations from the guaranteed dividend agreements, in particular, are stated at fair value when they are recognized for the first time. The fair value is, in principle, determined by the value of the respective company; if a contractually agreed minimum purchase price is higher than this amount, this purchase price is recognized.

The liabilities to non-controlling interests relate especially to the obligations to pay a guaranteed dividend under the valid profit-and-loss transfer agreements in a virtually unchanged amount of € 34.1 million in comparison to last year (Dec. 31, 2018: € 33.2 million).

44 Financial Liabilities from Tenant Financing

Accounting Policies

Financial liabilities from tenant financing include tenant financing contributions. The financing contributions relate to the contributions collected from tenants in Austria for subsidized apartments. These are reimbursed upon the termination of the rental contract following the deduction of a depreciation amount. The amount refunded can be collected again relating to new tenants. As these are generally rental contracts that can be terminated at any time, these liabilities are reported as current liabilities.

Financial liabilities from tenant financing also include maintenance and improvement contributions deposited by tenants (EVB). These contributions are paid by tenants in Austria to finance the costs associated with modernization work. The payment depends on the age of the building and must be used up for modernization work within 20 years of their receipt. Otherwise, the contributions have to be refunded to the tenant.

First-time recognition is at fair value. Subsequent measurement is at amortized cost.

The financial liabilities from tenant financing as of the reporting date include € 117.7 million (Dec. 31, 2018: € 118.3 million) in tenant financing contributions. In addition, the financial liabilities from tenant financing include € 44.5 million (Dec. 31, 2018: € 42.5 million) in maintenance and improvement contributions deposited by tenants (EVB).

45 Other Liabilities

	Dec. 31, 2018		Dec. 31, 2019	
in € million	non-current	current	non-current	current
Advance payments received	–	23.2	–	42.6
Miscellaneous other liabilities	42.5	574.6	26.1	313.2
	42.5	**597.8**	**26.1**	**355.8**

The advance payments received include on-account payments of € 30.9 million (Dec. 31, 2018: € 18.9 million) from tenants for ancillary costs after offsetting against the corresponding trade receivables.

The payment of the cash settlement (squeeze-out) to the minority shareholders of BUWOG AG reduces the miscellaneous other liabilities in the amount of € 335.8 million.

The miscellaneous other liabilities include purchase price liabilities in the amount of € 166.8 million (Dec. 31, 2018: € 139.1 million) for the acquisition of further shares in companies that are already consolidated.

Section (F): Corporate Governance Disclosures

46 Related Party Transactions

Vonovia had business relationships with unconsolidated subsidiaries in the 2019 fiscal year. These transactions generally resulted from the normal exchange of deliveries and services and are shown in the table below:

	Purchased services		Receivables		Liabilities	
in € million	2018	2019	2018	2019	2018	2019
Associated companies	0.6	2.2	0.4	0.3	1.5	3.0

At Vonovia, the individuals in key positions pursuant to IAS 24 include the members of the Management Board and the Supervisory Board of Vonovia SE.

The emoluments to key management personnel, which are subject to a disclosure requirement under IAS 24, include the remuneration paid to the active members of the Management Board and Supervisory Board.

The active members of the Management Board and Supervisory Board received the following remuneration:

in € million	2018	2019
Short-term employee benefits (without share-based payment)	6.5	7.2
Post-employment benefits	1.3	1.7
Termination benefits	–	0.5
Share-based payment	3.2	5.9
	11.0	**15.3**

The service cost resulting from provisions for pensions for the active Management Board members is reported under post-employment benefits. The disclosure on share-based payments is based on the expenses in the fiscal year, which are also reported in chapter [F47] Share-Based Payment.

The Management Board and Supervisory Board members were not granted any loans or advances.

Information on the individual remuneration of the Management Board and Supervisory Board members as well as a description of the remuneration system are given in the remuneration report, which is part of the combined management report, and in chapter [F48] Remuneration.

47 Share-Based Payment

Accounting Policies

The **obligations arising from share-based payments** are calculated using standard valuation methods based on option pricing models.

Equity-settled share-based payments are recognized at the grant date at the fair value of the equity instruments vested by that date. The fair value of the obligation is therefore recognized as personnel expenses proportionally over the vesting period and is offset directly against the capital reserves.

The cash-settled share-based payments are shown under other provisions and remeasured at fair value at each reporting date. The expenses are also recognized as personnel expenses over the vesting period (see chapter [E33] Provisions).

Management Board

As part of the new LTIP plan, the Management Board members are granted a fixed number of phantom stocks (performance share units or "PSU") annually, which are paid out at the end of a four-year performance period based on the extent to which a pre-defined target achievement level has been reached. The level of target achievement that determines the payout amount under the new LTIP plan is calculated based on the following parameters: Relative Total Shareholder Return (RTSR), Performance of NAV per Share, Performance of FFO I per Share and the Customer Satisfaction Index (CSI), which are all assigned an equal weighting of 25%. As a result, this new LTIP plan constitutes a form of cash-settled share-based payment pursuant to IFRS 2; in turn, the payout claim can be lost entirely if the defined target achievement level has not been reached.

The value of the total notional shares that had been granted but not paid out from the new LTIP plan as of December 31, 2019, was calculated by an external expert based on recognized actuarial principles. The obligation disclosed as of the reporting date breaks down as follows:

Tranche in €	End of vesting period	Rolf Buch	Arnd Fittkau	Helene von Roeder	Daniel Riedl
2016–2019	Dec. 31, 2019	2,868,367			
2017–2020	Dec. 31, 2020	2,702,393			
2018–2021	Dec. 31, 2021	1,335,978		327,825	327,825
2019–2022	Dec. 31, 2022	623,954	89,323	262,717	262,717

The LTIP plan program resulted in expenses pursuant to IFRS 2 totaling € 5.9 million in the 2019 reporting year (2018: € 5.9 million), with € 4.8 million attributable to Rolf Buch, € 0.5 million attributable in each case to Helene von Roeder and Daniel Riedl, and € 0.1 million attributable to Arnd Fittkau.

For further information, please refer to the remuneration report. → p. 115 et seqq.

Executives Below Management Board Level

A new LTIP plan was launched for the first level of management in 2016. This LTIP plan is based largely on the LTIP launched for the Management Board in 2015, also regarding the identical performance objectives and the calculation of the objective values with regard to the minimum value, the "target achievement value," and the maximum value.

The value of the total notional shares that had been granted but not paid out from the new LTIP plan as of December 31, 2019, was calculated by an external expert based on recognized actuarial principles. The obligation disclosed as of the reporting date breaks down as follows:

Tranche in €	End of Vesting Period	Dec. 31, 2019
2016	Dec. 31. 2019	2,662,269
2017	Dec. 31. 2020	2,013,126
2018	Dec. 31. 2021	948,076
2019	Dec. 31. 2022	592,437

The LTIP plan program results, in accordance with IFRS, in expenses of € 3.4 million in the 2019 reporting year (2018: € 1.5 million).

Employees

An employee share program was resolved on the basis of a works agreement in 2014. The program started in the first quarter of 2015 and the shares granted are subject to a vesting period of six months. The costs associated with the securities deposit account are borne by Vonovia. Shares with a value of between € 90.00 and € 360.00 at the most are granted to the eligible employees, depending on their gross annual salary, without the employees having to make any contribution of their own.

The new employee share program resulted in expenses totaling € 2.0 million in the 2019 reporting year (2018: € 1.8 million), which have been offset directly against the capital reserves.

48 Remuneration

Remuneration of the Supervisory Board

The members of the Supervisory Board received total remuneration of € 1.8 million during the 2019 fiscal year (2018: € 1.8 million) for their work.

Total Remuneration of the Management Board

The total remuneration paid to the individual members of the Management Board comprises the following:

Total remuneration of the Management Board in €	Rolf Buch CEO		Arnd Fittkau CRO since May 16, 2019		Klaus Freiberg COO until May 16, 2019		Helene von Roeder CFO since May 9, 2018	
	2018	2019	2018	2019	2018	2019	2018	2019
Fixed remuneration	1,150,000	1,150,000		375,000	600,000	225,000	386,957	600,000
Compensation payment							64,874	64,874
Cash remuneration/ deferred compensation	355,000	355,000		100,000	160,000	60,000	103,188	160,000
Fringe benefits	26,651	27,453		18,721	27,600	10,350	13,157	29,608
Total	**1,531,651**	**1,532,453**		**493,721**	**787,600**	**295,350**	**568,176**	**854,482**
Annual variable remuneration (bonus)	700,000	665,000		275,000	528,000	308,000*	283,768	425,812
Multi-year variable re-muneration (LTIP plan):								
2018–2021	1,902,392				801,007		516,592	
2019–2022		2,060,584		504,793		867,614**		867,614
(number of shares)	(48,669)	(46,151)		(9,531)	(20,492)	(19,432)	(13,216)	(19,432)
Total	**2,602,392**	**2,725,584**		**779,793**	**1,329,007**	**1,175,614**	**800,360**	**1,293,426**
Total remuneration	**4,134,043**	**4,258,037**		**1,273,514**	**2,116,607**	**1,470,964**	**1,368,536**	**2,147,908**

Total remuneration of the Management Board in €	Daniel Riedl CDO since May 9, 2018		Dr. A. Stefan Kirsten CFO until May 9, 2018		Gerald Klinck CCO until May 9, 2018		Total remuneration	
	2018	2019	2018	2019	2018	2019	2018	2019
Fixed remuneration	386,957	600,000	215,217		215,217		2,954,348	2,950,000
Compensation payment	15,111						79,985	64,874
Cash remuneration/ deferred compensation	103,188	160,000	53,333		57,391		832,100	835,000
Fringe benefits	18,932	29,404	24,105		7,317		117,762	115,536
Total	**524,188**	**789,404**	**292,655**		**279,925**		**3,984,195**	**3,965,410**
Annual variable remuneration (bonus)	283,768	412,007	157,826		157,826		2,111,188	2,085,819
Multi-year variable re-muneration (LTIP plan):								
2018–2021	516,592		333,753		333,753		4,404,089	
2019–2022		867,614						5,168,219
(number of shares)	(13,216)	(19,432)	(8,539)		(8,539)		(112,671)	(113,978)
Total	**800,360**	**1,279,621**	**491,579**		**491,579**		**6,515,277**	**7,254,038**
Total remuneration	**1,324,548**	**2,069,025**	**784,234**		**771,504**		**10,499,472**	**11,219,448**

* Annual variable remuneration agreed in the termination.
** LTIP is granted for the complete financial year regardless of the termination during the year.

The remuneration paid to the Management Board members includes the remuneration for all mandates at Vonovia Group companies, subsidiaries and participating interests.

Pension Obligations to Members of the Management Board

Rolf Buch, Helene von Roeder and Arnd Fittkau are paying their contractual share of € 355,000 (Rolf Buch), € 160,000 (Helene von Roeder) and € 100,000 (Arnd Fittkau) respectively, based on their fixed remuneration, into the deferred compensation scheme. The annual benefit contribution for Daniel Riedl in the amount of € 160,000 on the part of BUWOG is paid into an external pension fund.

The pension obligations to members of the Management Board from deferred compensation comprise the following:

	Contribution total as of December 31,		Defined benefit obligation as of December 31,	
€	**2018**	**2019**	**2018**	**2019**
Rolf Buch	966,356	946,410	3,969,413	5,733,678
Helene von Roeder	265,457	437,241	265,677	864,057
Arnd Fittkau	–	291,772	–	363,890
Dr. A. Stefan Kirsten	116,396	–	–	–*
Gerald Klinck	192,180	–	–	–*

* For Dr. A. Stefan Kirsten and Gerald Klinck, these figures relate to the service cost up until May 9, 2018. In respect of Dr. A. Stefan Kirsten and Gerald Klinck, the pension obligations in accordance with the IFRS as of December 31, 2018, are recognized in pension obligations (DBO) to former members of the Management Board.

Remuneration of Former Management Board Members and Their Surviving Dependents

Total remuneration of former Management Board members and their surviving dependents amounts to € 0.7 million for the 2019 fiscal year (2018: € 6.2 million). In accordance with the provisions of the termination agreement with Klaus Freiberg, total remuneration includes the remuneration components to be paid after resigning from his position on the Management Board on May 16, 2019, until the termination of the contract of employment on December 31, 2019, amounting to € 0.5 million.

The defined benefit obligation (DBO) to former members of the Management Board and their surviving dependents amount to € 21.3 million (2018: € 19.1 million).

49 Auditors' Fees

In the fiscal year, the following fees (including expenses and excluding VAT) have been credited for the services rendered by the Group auditors KPMG Wirtschaftsprüfungsgesellschaft:

in € million	**2018**	**2019**
Audits	3.2	4.8
Other confirmation services	0.6	0.6
Tax consultancy services	–	–
	3.8	**5.4**

All of the services rendered were consistent with the activities performed as the auditor of the annual financial statements and consolidated financial statements of Vonovia SE. The fee paid for auditing services performed by KPMG AG Wirtschaftsprüfungsgesellschaft relates to the audit of the consolidated financial statements and annual financial statements of Vonovia SE as well as to various audits of annual financial statements and a review of one set of annual financial statements of Group companies. The consolidated interim financial statements were reviewed and the financial statements were audited in accordance with audit standard IDW PS 490.

The other confirmation services include reviews of reconciliations on the interest threshold based on audit standard IDW PS 900, business audits performed in accordance with Section 2 of the Act on the Code of Professional Practice for German Public Auditors (WPO) on compliance with the regulations governing loans granted by the German government-owned development bank KfW and business audits pursuant to ISAE 3000 relating to various housing assistance reports. Other confirmation services also include services associated with the issue of comfort letters pursuant to audit standard IDW PS 910 and the issue of valuation certificates.

50 Declaration of Conformity with the German Corporate Governance Code

In January and November 2019, the Management Board and the Supervisory Board issued a Declaration of Conformity with the recommendations of the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (AktG) and made the declaration permanently available on the company's website (**www.vonovia.de**).

Section (G): Additional Financial Management Disclosures

Other Notes and Disclosures

51 Additional Financial Instrument Disclosures

Measurement categories and classes: in € million	**Carrying amounts Dec. 31, 2019**
Assets	
Cash and cash equivalents	
Cash on hand and deposits at banking institutions	500.7
Trade receivables	
Receivables from the sale of properties	66.6
Receivables from property letting	41.7
Other receivables from trading	11.8
Receivables from sale of real estate inventories (Development)	85.6
Financial assets	
Investments valued at equity	29.5
Loans to other investments	33.3
Other non-current loans	11.7
Non-current securities	4.4
Other investments	142.2
Derivative financial assets	
Cash flow hedges (cross currency swaps)	29.8
Stand-alone interest rate swaps and interest rate caps as well as embedded derivatives	3.3
Liabilities	
Trade payables	224.2
Non-derivative financial liabilities	23,574.9
Derivative financial liabilities	
Purchase price liabilities from put options/rights to reimbursement	39.0
Stand-alone interest rate swaps and interest rate caps	52.5
Other swaps	23.6
Lease liabilities	470.9
Liabilities from tenant financing	162.2
Liabilities to non-controlling interests	34.1

Amounts recognized in balance sheet in accordance with IFRS 9						
Amortized cost	Fair value affecting net income	Fair value recognized in equity with reclassification	Fair value recognized in equity without reclassification	Amounts recognized in balance sheet in acc. with IFRS 16/IAS 28	Fair value Dec. 31, 2019	Fair value hierarchy level
500.7					500.7	1
66.6					66.6	2
41.7					41.7	2
11.8					11.8	2
85.6					85.6	2
				29.5	29.5	n. a.
33.3					56.8	2
11.7					11.7	2
			4.4		4.4	1
			142.2		142.2	2
	-10.2	40.0			29.8	2
	3.3				3.3	2
224.2					224.2	2
23,574.9					24,724.7	2
39.0					39.0	2
	52.5				52.5	2
	0.2	23.4			23.6	2
				470.9		2
162.2					162.2	2
34.1					34.1	2

Measurement categories and classes: in € million	**Carrying amounts Dec. 31, 2018**
Assets	
Cash and cash equivalents	
Cash on hand and deposits at banking institutions	547.7
Trade receivables	
Receivables from the sale of properties	258.6
Receivables from property letting	44.4
Other receivables from trading	6.4
Receivables from sale of real estate inventories (Development)	183.7
Financial assets	
Investments valued at equity	29.1
Loans to other investments	33.4
Other non-current loans	10.2
Non-current securities	4.0
Other investments	792.1
Derivative financial assets	
Cash flow hedges (cross currency swaps)	16.3
Stand-alone interest rate swaps and interest rate caps as well as embedded derivatives	4.5
Liabilities	
Trade payables	243.5
Non-derivative financial liabilities	20,136.0
Derivative financial liabilities	
Purchase price liabilities from put options/rights to reimbursement	36.8
Stand-alone interest rate swaps and interest rate caps	54.6
Other swaps	19.8
Liabilities from finance leases	99.4
Liabilities from tenant financing	160.8
Liabilities to non-controlling interests	33.2

The section below provides information on the financial assets and financial liabilities not covered by IFRS 9:

> Employee benefits in accordance with IAS 19: Gross presentation of right to reimbursement arising from transferred pension obligations in the amount of € 4.4 million (Dec. 31, 2018: € 4.7 million).
> Amount by which the fair value of plan assets exceeds the corresponding obligation of € 0.8 million (Dec. 31, 2018: € 1.1 million).
> Provisions for pensions and similar obligations: € 569.9 million (Dec. 31, 2018: € 520.6 million).

	Amounts recognized in balance sheet in accordance with IFRS 9						
	Amortized cost	Fair value affecting net income	Fair value recognized in equity with reclassification	Fair value recognized in equity without reclassification	Amounts recognized in balance sheet in acc. with IAS 17/IAS 28	Fair value Dec. 31, 2018	Fair value hierarchy level
	547.7					547.7	1
	258.6					258.6	2
	44.4					44.4	2
	6.4					6.4	2
	183.7					183.7	2
					29.1	29.1	n. a.
	33.4					48.1	2
	10.2					15.8	2
				4.0		4.0	1
				792.1		792.1	2
		-11.0	27.3			16.3	2
		4.5				4.5	2
	243.5					243.5	2
	20,136.0					20,471.2	2
	36.8					36.8	2
		54.6				54.6	2
		-2.6	-17.2			19.8	2
					99.4	198.0	2
	160.8					160.8	2
	33.2					33.2	2

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

in € million	Dec. 31, 2019	Level 1	Level 2	Level 3
Assets				
Investment properties	52,759.1			52.759.1
Financial assets				
Non-current securities	4.4	4.4		
Other investments	140.2		140.2	
Assets held for sale				
Investment properties (contract closed)	134.1		134.1	
Derivative financial assets				
Cash flow hedges (cross currency swaps)	29.8		29.8	
Stand-alone interest rate swaps and caps as well as embedded derivatives	3.3		3.3	
Liabilities				
Derivative financial liabilities				
Cash flow hedges	23.6		23.6	
Stand-alone interest rate swaps and caps	52.5		52.5	

in € million	Dec. 31, 2018	Level 1	Level 2	Level 3
Assets				
Investment properties	43.490.9			43.490.9
Financial assets				
Non-current securities	4.0	4.0		
Other investments	792.1	672.8	119.3	
Assets held for sale				
Investment properties (contract closed)	105.9		105.9	
Derivative financial assets				
Cash flow hedges (cross currency swaps)	16.3		16.3	
Stand-alone interest rate swaps and caps as well as embedded derivatives	4.5		4.5	
Liabilities				
Derivative financial liabilities				
Cash flow hedges	19.8		19.8	
Stand-alone interest rate swaps and caps	54.6		54.6	

In general, Vonovia measures its investment properties on the basis of the discounted cash flow (DCF) methodology (Level 3). The material valuation parameters and valuation results can be found in chapter [D28] Investment Properties.

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

No financial instruments were reclassified to different hierarchy levels as against the comparative period.

Securities and shares in listed companies included in other investments are generally measured using the quoted prices in active markets (Level 1).

For the measurement of financial instruments, cash flows are initially calculated and then discounted. In addition to the tenor-specific EURIBOR/STIBOR rates (3M; 6M), the respective credit risk is taken as a basis for discounting. Depending on the expected cash flows, either Vonovia's own credit risk or the counterparty risk is taken into account in the calculation.

For the consolidated financial statements, Vonovia's own credit risk was fundamentally relevant for interest rate swaps. This credit risk is derived for material risks from rates observable on the capital markets and ranges of between 10 and 130 basis points, depending on the residual maturities of financial instruments. Regarding the positive market values of the cross currency swaps, a counterparty risk of 33 basis points was taken into account.

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

The fair values of the cash and cash equivalents, trade receivables as well as other financial receivables approximate their carrying amounts at the reporting date owing to their mainly short maturities. The amount of the estimated impairment loss on cash and cash equivalents was calculated based on the losses expected over a period of twelve months. It was determined that the cash and cash equivalents have a low risk of default due to the external ratings and short residual maturities and that there is no need for any material impairment of cash and cash equivalents.

			From subsequent measurement						
in € million	From interest	Dividends from other investments	Impairment losses	De-recognized receivables	De-recognized liabilities	Financial result affecting income 2019	Measurement cash flow hedges	Measurement financial instruments categorized as equity instruments	Total financial result 2019
2019									
Debt instruments carried at (amortized) cost	8.9	–	-28.6	5.2	–	-14.5	–	–	-14.5
Debt instruments measured at FV through P&L	–	11.8	–	–	–	11.8	–	–	11.8
Derivatives measured at FV through P&L with reclassification	-35.1	–	–	–	–	-35.1	–	–	-35.1
Debt instruments measured at FVOCI with reclassification	–	–	–	–	–	–	11.8	–	11.8
Equity instruments measured at FVOCI without reclassification	–	–	–	–	–	–	–	48.6	48.6
Financial liabilities measured at (amortized) cost	-358.4	–	–	–	0.7	-357.7	–	–	-357.7
	-384.6	**11.8**	**-28.6**	**5.2**	**0.7**	**-395.5**	**11.8**	**48.6**	**-335.1**

in € million	From interest	Dividends from other invest-ments	Impair-ment losses (From subsequent measurement)	De-recognized receivables (From subsequent measurement)	De-recognized liabilities (From subsequent measurement)	Financial result affecting income 2018	Measure-ment cash flow hedges	Measure-ment financial instruments categorized as equity instruments	Total financial result 2018
2018									
Debt instruments carried at (amortized) cost	5.7	–	-21.6	1.1	–	-14.8	–	–	-14.8
Debt instruments measured at FV through P&L	–	23.1	–	–	–	23.1	–	–	23.1
Derivatives measured at FV through P&L with reclassification	-30.8	–	–	–	–	-30.8	–	–	-30.8
Debt instruments measured at FVOCI with reclassification	–	–	–	–	–	–	3.5	–	3.5
Debt instruments measured at FVOCI without reclassification	–	–	–	–	–	–	–	60.0	60.0
Financial liabilities measured at (amortized) cost	-375.2	–	–	–	0.9	-374.3	–	–	-374.3
	-400.3	**23.1**	**-21.6**	**1.1**	**0.9**	**-396.8**	**3.5**	**60.0**	**-333.3**

52 Information on the Consolidated Statement of Cash Flows

The statement of cash flows shows how Vonovia's cash has changed during the reporting year as a result of cash inflows and outflows. In accordance with IAS 7 (Statements of Cash Flows), a distinction is made between changes in cash flow from operating activities, investing activities and financing activities.

The cash flow from operating activities is determined from the profit for the period using the indirect method, the profit for the period being adjusted for effects of transactions that are not cash-effective, any deferrals or accruals of past or future operating cash receipts or payments as well as items of income or expense associated with investing or financing cash flows.

The effects of changes in the scope of consolidation are shown separately. Therefore, direct comparison with the corresponding changes in the items of the consolidated balance sheet is not possible.

The proceeds from the disposal of intangible assets, property, plant and equipment and investment properties are shown in cash flow from investing activities.

Exercising the IAS 7 option, interest received is shown under cash flow from investing activities and interest paid is shown under cash flow from financing activities.

The item "Payments for acquisition of investment properties" mainly shows expenses for modernization measures.

53 Financial Risk Management

In the course of its business activities, Vonovia is exposed to various financial risks. The Group-wide financial risk management system aims to identify any potentially negative impact on the financial position of the Group early on and take suitable measures to limit this impact. For the structure and organization of financial risk management, we refer to the management report (see chapter Structure and Instruments of the Risk Management System → p. 125 et seqq.). This system was implemented on the basis of Group guidelines, which were approved by the Management Board and which are continually reviewed. The risks associated with financial instruments and the corresponding risk management are described in detail as follows:

Market Risks

Currency Risks

The cash-effective currency risks arising in connection with the still existing USD bond were eliminated by the simultaneous contracting of cross currency swaps. Fixed and expected purchase price payments in connection with the acquisition of Victoria Park and Hembla were secured through the conclusion of foreign currency forwards. In addition, currency fluctuations are expected to result from financing relationships with Swedish subsidiaries. All in all, loans denominated in euros totaling € 1,268.1 million (Dec. 31, 2018: none) and loans denominated in Swedish krona totaling SEK 5,657.7 million (Dec. 31, 2018: none) were granted to Swedish subsidiaries. Based on the interest rate structure as of December 31, 2019, a -50 basis point change in the value of the Swedish krona against the euro would result in currency gains of € 90.9 million, whereas a change of +50 basis points would result in a currency loss of € 82.6 million. Vonovia is subject to no further material currency risks in the scope of its usual business activities.

Interest Rate Risks

In the course of its business activities, Vonovia is exposed to cash-effective interest rate risks as a result of floating-rate debt as well as new and follow-on loans. Within this context, the interest markets are continually monitored by the Finance and Treasury department. Its observations are incorporated into the financing strategy.

As part of its financing strategy, Vonovia uses derivative financial instruments, in particular interest rate swaps and caps, to limit or manage interest rate risks. Vonovia's policies permit the use of derivatives only if they are associated with underlying assets or liabilities, contractual rights or obligations and planned, highly probable transactions.

A sensitivity analysis for cash flow hedges is provided under chapter [G55] Cash Flow Hedges and Stand-alone Interest Rate Swaps.

Credit Risks

Vonovia is exposed to a default risk resulting from the potential failure of a counterparty to fulfill its part of the contract. In order to minimize risks, financial transactions are only executed with banks and partners whose credit rating has been found by a rating agency to be at least equivalent to Vonovia's. These counterparties are assigned volume limits set by the Management Board. The counterparty risks are managed and monitored centrally by the Finance and Treasury department.

Liquidity Risks

The companies of Vonovia are financed by borrowings to a notable degree. Due to their high volume, the loans are in some cases exposed to a considerable refinancing risk. The liquidity risks arising from financing transactions with high volumes (volume risks) have become apparent in the financial sector, especially in the wake of the financial crisis. In order to limit these risks, Vonovia is in constant contact with many different market players, continuously monitors all financing options available on the capital and banking markets and uses these options in a targeted manner. Moreover, Vonovia subjects its existing financings to an early review prior to the respective final maturity date in order to ensure refinancing.

Under the conditions of existing loan agreements, Vonovia is obliged to fulfill certain financial covenants such as the debt service coverage ratio or debt-equity ratio. If financial covenants are violated, the breach is not rectified within so-called cure periods and no mutually acceptable agreement can be reached with the lenders, the financing may be restructured and the cost structure changed. Should all commonly practiced solutions be unsuccessful, the lenders could call in the loan. The fulfillment of these financial covenants is continually monitored by Finance and Treasury on the basis of current actual figures and budgetary accounting.

In order to ensure its ability to pay at all times, Vonovia has put a system-supported cash management system in place. This system monitors and optimizes Vonovia's cash flows on an ongoing basis and provides the Management Board with regular reports on the Group's current liquidity situation. Liquidity management is supplemented by short-term rolling, monthly liquidity planning for the current fiscal year, of which the Management Board is also promptly notified.

The following table shows the forecast for undiscounted cash flows of the non-derivative financial liabilities and derivative financial instruments for the 2019 reporting year. The loan repayments shown for the following years contain only contractually fixed minimum repayment amounts:

in € million	Carrying amount as of Dec. 31, 2019	2020 Interest	2020 Repayment	2021 Interest	2021 Repayment	2022 to 2026 Interest	2022 to 2026 Repayment
Non-derivative financial liabilities							
Liabilities to banks	7,403.0	101.1	892.6	97.1	951.6	301.2	3,542.8
Liabilities to other creditors	16,071.7	147.8	1,385.4	222.8	520.9	755.2	9,319.7
Deferred interest from other non-derivative financial liabilities	100.2	–	–	–	–	–	–
Liabilities from finance leases	470.9	13.2	22.8	16.5	15.2	60.4	47.5
Financial liabilities from tenant financing	162.2	–	117.8	–	2.0	–	10.0
Derivative financial liabilities							
Purchase price liabilities from put options/rights to reimbursement	39.0	–	3.3	–	34.0	–	1.7
Cash flow hedges/stand-alone interest rate derivatives	70.8	37.8	–	36.1	–	78.3	–
Cash flow hedges (cross currency swap) USD in €	-29.1	-11.1	–	-11.1	–	-22.3	-185.0
Cash flow hedges (cross currency swap) in €		8.5	–	8.5	–	16.8	185.0
Deferred interest from swaps	1.4	1.4					

in € million	Carrying amount as of Dec. 31, 2018	2019 Interest	2019 Repayment	2020 Interest	2020 Repayment	2021 to 2025 Interest	2021 to 2025 Repayment
Non-derivative financial liabilities							
Liabilities to banks	5.200.1	94.2	325.0	88.7	1.026.3	263.8	2,960.5
Liabilities to other creditors	14,816.0	134.6	2,255.0	195.2	1,842.4	616.8	6,972.4
Deferred interest from other non-derivative financial liabilities	119.9	119.9	–	–	–	–	–
Liabilities from finance leases	99.4	5.8	–	9.8	–	26.9	–
Financial liabilities from tenant financing	–	–	104.7	–	1.9	–	9.5
Derivative financial liabilities							
Purchase price liabilities from put options/rights to reimbursement	36.8	–	0.7	–	2.2	–	33.9
Cash flow hedges stand-alone interest rate derivatives	65.6	22.7	–	22.0	–	67.8	–
Cash flow hedges (cross currency swap) USD in €	-15.7	-10.4	–	-10.4	–	-31.3	-185.0
Cash flow hedges (cross currency swap) in €		8.5	–	8.5	–	25.4	185.0
Deferred interest from swaps	3.8	3.8	–	–	–	–	–

In April 2014, Vonovia issued a subordinated hybrid bond with terms and conditions stating that the issuer has its first special right of termination after five years. This bond was repaid in full in April 2019. In September 2019, a buyback offer was made to the investors holding two outstanding EMTN bonds due to mature in March and December 2020. This offer resulted in approx. 40% of the outstanding nominal volume of the two bonds being bought back, meaning that the maturity amounts of these instruments fell from an original amount of € 500 million to € 301 million in March, and from an original amount of € 1,250 million to € 752 million in December.

Credit Line

In October 2018, Vonovia concluded a syndicated revolving credit facility of € 1,000 million with several banks, led by Commerzbank AG, via its Dutch financing company. This unsecured credit line runs until October 2021 and is subject to interest on the basis of EURIBOR plus a mark-up. This credit line had not been used as of December 31, 2019.

Project-specific credit lines totaling around € 112.9 million were available on the reporting date in connection with bank-financed development projects. The nominal amount of these agreements totals € 243.2 million. These credit lines can be utilized based on the progress of the construction work, provided that corresponding evidence is submitted, taking the contractually agreed payment requirements into account.

There is also a guarantee credit agreement in place between Vonovia and Commerzbank for an original amount of € 10 million. This agreement was increased to € 25 million in December 2019. Bills of exchange of approximately € 7.3 million had been drawn from this amount as of the end of the fiscal year. A second guarantee credit agreement originally totaling € 50 million was canceled without replacement in the course of the third quarter of 2019. There is another guarantee credit agreement with Raiffeisen Bank International AG in the amount of € 5 million within the conwert subgroup. It had not been drawn by the end of the fiscal year. A guarantee credit agreement with Landesbank Baden-Württemberg in the amount of € 0.75 million was repaid and canceled in the fourth quarter of 2019.

Within the BUWOG subportfolio, there were four guarantee lines that can be used on a revolving basis with UniCredit Bank Austria AG, Atradius Credit Insurance N.V., Swiss Re International SE and VHV Allgemeine Versicherung AG. In December 2019, new contracts were concluded by Atradius Credit Insurance N.V., Swiss Re International SE and VHV Allgemeine Versicherung AG with Vonovia SE. The guarantees outstanding under the original contracts with Atradius and Swiss Re were transferred to these new contracts. These original guarantee lines were terminated in December 2019. The transfer of the guarantees outstanding under the original contract with VHV and the termination of this agreement is scheduled for implementation in the first quarter of 2020. As of December 31, 2019, the total volume available under general guarantee agreements came to € 123 million, € 21.5 million of which had been drawn by the reporting date. In addition, a project-specific development financing arrangement with Berliner Volksbank eG allows for the possibility of making use of bills of exchange, bonds and/or guarantees. On the reporting date, an amount of € 14.9 million was used.

In April 2019, Victoria Park AB entered into a revolving line of credit of SEK 1,050 million with a two-year term with Commerzbank. Vonovia SE acts as the guarantor for this line of credit.

In November 2017, Vonovia concluded a master commercial paper agreement via its Dutch financing company with a total volume of € 500 million with Commerzbank AG as lead arranger and several banks as traders. This master program was increased to a total volume of € 1,000 million in September 2018. Issues in the amount of € 300 million were outstanding under this program as of December 31, 2019.

All in all, Vonovia has cash on hand and deposits at banking institutions of € 500.7 million on the reporting date (Dec. 31, 2018: € 547.7 million). The master credit agreements/the commercial paper program, together with the cash on hand, guarantee Vonovia's ability to pay at all times.

We refer to the information on financial risk management in the management report.

54 Capital Management

Vonovia's management aims to achieve a long-term increase in value in the interests of customers, employees and investors. Within this context, maintaining a degree of financial flexibility in order to be able to pursue the company's growth and portfolio optimization strategy is crucial. This is why Vonovia's capital management focuses on ensuring our investment grade rating. The priority is to ensure sufficient liquidity resources and maintain an efficient ratio between secured and non-secured capital components.

As part of the opportunities and risk management of Vonovia, the members of the Management Board are given monthly reports on the development of results and their potential effects on the capital structure.

The equity situation of the subsidiaries is regularly examined.

Vonovia's equity developed as follows:

in € million	Dec. 31, 2018	Dec. 31, 2019
Total equity	19,664.1	21,069.7
Total assets	49,387.6	56,497.7
Equity ratio	39.8%	37.3%

Vonovia plans to continue funding possible acquisitions by an optimal mix of debt capital and equity.

In order to protect itself against changes in exchange rates and interest rates, Vonovia regularly contracts derivative hedging transactions in the case of liabilities with variable interest rates or liabilities in foreign currencies. The Finance and Treasury department is responsible for implementing the approved financing strategy.

55 Cash Flow Hedges and Stand-alone Interest Rate Swaps

On the reporting date, the nominal volume of cash flow hedges held in euros amounts to € 972.9 million (Dec. 31, 2018: € 680.9 million). Interest rates on hedging instruments are between 0.390% and 3.760% with original swap periods of between 4.75 and ten years.

Deutsche Annington Acquisition Holding GmbH took over a secured loan from BUWOG Norddeutschland GmbH in January 2019. The redemption-free loan has a maturity until April 30, 2024 and bears interest at a rate corresponding to the three-month Euribor. At the same time, two hedging instruments with a nominal volume of € 146.6 million each were executed with HELABA and Berlin Hyp within this context.

For three hedging instruments that are maintained within a so-called passive hedge accounting, € 9.7 million was reclassified to profit or loss in the reporting year in line with the expected cash flows from the underlying hedged items. This reduced the value recognized in other comprehensive income to € 38.0 million.

All derivatives are included in netting agreements with the issuing banks. Whereas the cross currency swaps were all recognized with positive market values, basically the euro interest rate swaps have an inherently negative market value as of the reporting date. No economic or accounting offsetting was performed in the reporting year.

Key parameters of the interest rate swaps were as follows:

in € million	Face value	Beginning of term	End of term	Current average interest rate (incl. margin)
Bonds (EMTN)				
Hedged items	600.0	Mar. 22, 2018	Dec. 22, 2022	3M EURIBOR margin 0.45%
Interest rate swaps	600.0	Mar. 22, 2018	Dec. 22, 2022	0.793%
HELABA				
Hedged items	146.6	Jan. 28, 2019	Apr. 30, 2024	1M EURIBOR margin 0.0%
Interest rate swaps	146.6	Jan. 28, 2019	Apr. 30, 2024	0.390%
Berlin Hyp				
Hedged items	146.6	Jan. 28, 2019	Apr. 30, 2024	1M EURIBOR margin 0.0%
Interest rate swaps	146.6	Jan. 28, 2019	Apr. 30, 2024	0.390%
Norddeutsche Landesbank (2)				
Hedged items	79.7	June 28, 2013	June 30, 2023	3M EURIBOR margin 1.47%
Interest rate swaps	79.7	June 28, 2013	June 30, 2023	2.290%

In 2013, two cross currency swaps were contracted in equal amounts with each of JP Morgan Limited and Morgan Stanley Bank International Limited; these hedging instruments (cross currency swaps/CCS) became effective on the issuance of two bonds for a total amount of USD 1,000 million. The CCS, each for an amount of USD 375 million, fell due in October 2017 in line with the bonds. The hedging instruments, each for an amount of USD 125 million, originally had a term of ten years. This means that the EUR/USD currency risk resulting from the coupon and capital repayments was eliminated for the entire term of the bonds.

Key parameters of the cross currency swaps were as follows:

	Face value USD (in million)	Face value € (in million)	Beginning of term	End of term	Interest rate USD	Interest rate €	Hedging rate USD/€
J.P. Morgan Securities plc **Morgan Stanley & Co. International plc**							
Hedged items	250.0	185.0	Oct. 2, 2013	Oct. 2, 2023	5.00%		
CCS	250.0	185.0	Oct. 2, 2013	Oct. 2, 2023		4.58%	1.3517

In connection with the acquisition of the Hembla Group as of November 7, 2019, three stand-alone interest rate swaps and eight interest rate caps with a nominal volume of € 987.7 million were assumed. The unchanged nominal value, hedged in Swedish krona, corresponds to a volume of € 1,004.7 million as of the reporting date, with the fair value amounting to € -0.2 million in total.

In connection with the transfer of financial liabilities from BUWOG Norddeutschland GmbH to Deutsche Annington Acquisition Holding GmbH, the BUWOG Group terminated four interest rate swaps prematurely in the reporting year. This resulted in hedge break costs of € 12.1 million being incurred, which were offset by the reversal of previously recognized negative fair values in the amount of € 10.7 million. As of December 31, 2019, the hedged nominal value of the remaining 16 stand-alone interest rate swaps came to € 487.9 million.

On the reporting date, the Victoria Park Group recognized 25 stand-alone interest rate swaps, six interest rate caps and one interest rate floor. The nominal value hedged in Swedish krona corresponds to a volume of € 1,964.0 million as of December 31, 2019. The embedded derivatives have been reduced to 10 loan termination rights with a positive fair value of € 1.5 million.

The designation of the cash flow hedges as hedging instruments is prospectively determined on the basis of a sensitivity analysis, retrospectively on the basis of the accumulated dollar offset method. The fair value changes of the hedged items are determined on the basis of the hypothetical derivative method. In the reporting year – as in the prior year – the impact of default risk on the fair values is negligible and did not result in any adjustments of the balance sheet item.

In the reporting year, the cash flow hedges held in euros were shown at their negative clean fair values totaling € -21.6 million as of December 31, 2019 (Dec. 31, 2018: € -15.2 million). The corresponding deferred interest amounted to € -2.0 million (Dec. 31, 2018: € -4.6 million). At the same time, positive market values from cross currency swaps in the amount of € 29.1 million (Dec. 31, 2018: € 15.7 million), together with positive market values in the amount of € 3.3 million from embedded derivatives of Victoria Park and other interest rate derivatives of Victoria Park and Hembla were disclosed (Dec. 31, 2018: € 4.3 million). The corresponding deferred interest amounted to € 0.7 million (Dec. 31, 2018: € 0.8 million). Financial liabilities also included negative fair values from stand-alone interest rate derivatives in the amount of € -52.5 million (Dec. 31, 2018: € -54.6 million).

The impact of the cash flow hedges (after income taxes) on the development of other reserves is shown below:

		Changes in the period		Reclassification affecting net income		
in € million	As of Jan. 1	Changes in CCS	Other	Currency risk	Interest risk	As of Dec. 31
2019	**-63.3**	8.6	-7.2	-2.9	12.6	**-52.2**
2018	-68.8	7.0	-3.6	-6.7	8.8	**-63.3**

The impact of the cash flow hedges (including income taxes) on total comprehensive income is shown below:

Cash Flow Hedges

in € million	2018	2019
Change in unrealized gains/losses	0.4	2.0
Taxes on the change in unrealized gains/losses	3.0	-0.6
Net realized gains/losses	3.1	9.8
Taxes due to net realized gains/losses	-1.0	-0.1
Total	**5.5**	**11.1**

In the reporting year, after allowing for deferred taxes, negative cumulative ineffectiveness for cash flow hedges amounted to € 0.6 million (2018: € 2.7 million), improving net interest by € 2.1 million.

On the basis of the valuation as of December 31, 2019, Vonovia used a sensitivity analysis to determine the change in equity given a parallel shift in the interest rate structure of 50 basis points in each case:

	Change in equity		
in € million	Other reserves not affecting net income	Income Statement affecting net income	Total
2019			
+50 basis points	3.8	11.5	**15.3**
-50 basis points	0.4	-10.5	**-10.1**
2018			
+50 basis points	8.1	23.4	**31.5**
-50 basis points	-5.9	-41.1	**-47.0**

A further sensitivity analysis showed that a change in the foreign currency level of -5% (+5%) would lead, after allowance for deferred taxes, to a change in the other reserves not affecting net income of € -1.0 million (or € +0.8 million), while ineffectiveness affecting net income in the amount of € +1.1 million (or € -1.0 million) would result at the same time. In the previous year, a change in the other reserves not affecting net income of € -1.5 million (or € +1.3 million) was recognized in connection with ineffectiveness affecting net income in the amount of € +1.0 million (or € -1.0 million).

56 Contingent Liabilities

Contingent liabilities exist for cases in which Vonovia SE and its subsidiaries give guarantees to various contractual counterparts. The terms are in many cases limited to an agreed time. In some cases, the term is unlimited.

Contingent liabilities of Vonovia are as follows:

in € million	Dec. 31, 2018	Dec. 31, 2019
Guarantees in connection with Development	42.9	55.4
Payment guarantees	7.9	0.3
Rent surety bonds	1.3	1.1
Other	5.9	27.7
	58.0	**84.5**

Vonovia is involved in legal disputes resulting from normal business activities. In particular, these involve disputes under the law of tenancy and sales disputes and, in individual cases, company law disputes (mainly following squeeze-out processes). None of the legal disputes, taken in isolation, will have any material effects on the net assets, financial position or results of operations of Vonovia.

57 Other Financial Obligations

The other financial obligations are as follows:

in € million	Dec. 31, 2018	Dec. 31, 2019
Other financial obligations		
Cable TV service contracts	295.7	283.0
IT service contracts	41.9	41.2
Supply contracts	13.9	12.1
Surcharges under the German Condominium Act (WoEigG)	4.5	3.3
Other	4.0	8.6
	360.0	**348.2**

The obligations under cable TV service contracts are set against future income from the marketing of the cable TV service.

Bochum, Germany, February 25, 2020

Rolf Buch (CEO) | Arnd Fittkau (CRO) | Helene von Roeder (CFO) | Daniel Riedl (CDO)

Independent Auditor's Report

The following auditor's report, prepared in accordance with § 322 HGB ["Handelsgesetzbuch": "German Commercial Code"], refers to the complete consolidated financial statements, comprising of consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity and notes to the consolidated financial statements, together with the combined management report of Vonovia SE, Bochum, for the financial year from January 1, 2019 to December 31, 2019. The combined management report is not included in this prospectus. The below-mentioned auditor's report and consolidated financial statements are both translations of the respective German-language documents.

To Vonovia SE, Bochum

Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report

Opinions

We have audited the consolidated financial statements of Vonovia SE, Bochum, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of December 31, 2019, and the consolidated income statement, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of Vonovia SE for the financial year from January 1 to December 31, 2019. In accordance with German legal requirements, we have not audited the content of those components of the combined management report specified in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

> the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of December 31, 2019, and of its financial performance for the financial year from January 1 to December 31, 2019, and

> the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of those components of the combined management report specified in the "Other Information" section of the auditor's report.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and EU Audit Regulation No 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). We performed the audit of the consolidated financial statements in supplementary compliance with the International Standards on Auditing (ISAs). Our responsibilities under those requirements, principles and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2)(f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Measurement of Investment Properties

Please refer to notes 13 and 28 to the consolidated financial statements as well as the section on opportunities and risks in the combined management report.

The Financial Statement Risk

Investment properties in the amount of € 52.8 billion are reported in the consolidated financial statements of Vonovia as of December 31, 2019. Of this amount, € 44.1 billion is attributable to properties located in Germany, € 2.9 billion to properties located in Austria and € 5.8 billion to properties located in Sweden. Vonovia measures investment properties at fair value in accordance with IAS 40 in conjunction with IFRS 13. In the year under review, increases in fair value of € 4.1 billion were recognized in the consolidated income statement.

Vonovia determines the fair values using internal valuation models. Exceptions to this are the real estate portfolio of Victoria Park AB (publ) (hereinafter "Victoria Park"), Malmo, Sweden, and the real estate portfolio of Hembla AB (publ), Stockholm, Sweden (hereinafter "Hembla"), which was acquired in financial year 2019. The fair values for the real estate portfolio of the BUWOG Group and the properties of the conwert Group not located in Germany were determined using an internal method for the first time in financial year 2019.

The fair values are determined internally by means of a discounted cash flow (DCF) method based on homogeneous valuation units of aggregated commercially related and comparable land and buildings. Further, an independent valuer provides an appraisal, which is used to verify the internal measurements. For the Victoria Park and Hembla real estate portfolios, fair value is determined by independent valuers.

The measurement of investment properties is complex and incorporates numerous assumptions and parameters relevant to measurement that involve considerable estimation uncertainties and judgment. Even minor changes in the assumptions and parameters relevant to measurement may have a material effect on the resulting fair value. The most significant assumptions and parameters are market rents, including the expected trend in rental rates, the planned maintenance costs and discount/capitalization rates. When determining the trend of discount/capitalization rates, Vonovia also takes into account the difference in dynamic of movements in real estate prices compared to rental rates (yield compression).

Due to existing estimation uncertainties and judgments, there is the risk for the consolidated financial statements that the fair values of properties are not within a reasonable range.

Moreover, there is the risk for the consolidated financial statements that the disclosures on investment properties in the notes required pursuant to IAS 40 and IFRS 13 are incomplete and inadequate.

Our Audit Approach

With the involvement of our own property valuation experts, using partly control-based and partly substantive audit procedures, we assessed the accuracy and completeness of the property portfolio data used in the internal valuation models. In addition, we particularly assessed the internal valuation techniques with a view to compliance with IAS 40 in conjunction with IFRS 13, the homogeneity of defined valuation units and the appropriateness of the assumptions and parameters used for measurement. We also used external market data to assess the assumptions and parameters used for measurement, such as the discount/capitalization rates applied, market rents and expected trend in rental rates as well as planned maintenance costs.

Based on partially representative and partially selective, risk-oriented sampling of German and Austrian portfolio valuation units, we conducted on-site visits to assess the condition of the respective properties. We verified the valuations conducted by Vonovia by comparing them with our own calculations based on the standardized capitalization model pursuant to the German Real Estate Appraisal Regulation [ImmoWertV].

We were satisfied with the qualification and objectivity of the external valuers commissioned by Vonovia, who audited the valuation methods used for the appraisal with regard to compliance with IAS 40 in conjunction with IFRS 13, assessed the material assumptions and parameters for measurement, and compared the internal measurements with those of the respective external appraisal.

We also assessed the completeness and adequacy of disclosures on investment properties required in the notes to the consolidated financial statements pursuant to IAS 40 and IFRS 13.

Our Observations

The valuation method implemented by Vonovia is appropriate and suitable for measuring fair value in compliance with IFRS. The assumptions and parameters used for valuation of the investment properties are appropriate. The disclosures on investment properties in the notes to the consolidated financial statements pursuant to IAS 40 and IFRS 13 are complete and appropriate.

Impairment Testing of Goodwill

Please refer to note 26 to the consolidated financial statements.

The Financial Statement Risk

Goodwill in the amount of € 1.5 billion is reported in the consolidated financial statements of Vonovia as of December 31, 2019. Goodwill is allocated pursuant to IAS 36 to groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. At Vonovia, these are the regional business areas in the Rental segment and the Value-add and Development segments.

Vonovia conducts annual impairment testing of recognized goodwill in the fourth quarter. As the value of the property portfolio increased during the year and the regional structure in Germany was revised as of July 1, 2019, Vonovia performed an additional impairment test in the second quarter.

For each group of cash-generating units, the carrying amount of the unit is compared with the recoverable amount of the unit. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Vonovia determines value in use by applying a complex calculation model based on a DCF method. In this regard, determination of the discount rate (WACC) is the primary source of judgment apart from cash flow forecasts. As even minor changes in the cash flow forecasts and the WACC may have a material effect on the recoverable amount, the measurement of goodwill is associated with considerable estimation uncertainties.

In the Rental segment, yield compression (i. e., the difference in dynamic of real estate prices compared to rental rates) had a material effect on the value of goodwill, as the carrying amounts of investment properties (which rose faster relative to the projected cash flows) reduced the difference (headroom) between value in use and the carrying amounts of the groups of cash-generating units. In financial year 2019, the appreciation in value of the investment properties and the associated increase in the carrying amounts of all groups of cash-generating units in the Rental segment led to a reduction in headroom, but not to an impairment of goodwill.

The impairment test during the year resulted in impairment losses for five regional business areas totaling € 1,901.0 million. Furthermore, the revision of the regional structure in Germany led to a reallocation of the residual goodwill, which resulted in further impairment in three regional business areas of € 202.5 million.

There is the risk for the consolidated financial statements that an impairment loss is not recognized in the amount required. There is also the risk that the disclosures in the notes to the consolidated financial statements are not appropriate.

Our Audit Approach

With the involvement of our own valuation experts, we assessed the adequacy of Vonovia's calculation model for the second and fourth quarter, among other things, and reconciled the expected future cash flows assigned to the model to the underlying detailed plan. For the impairment test performed as of the second quarter, this detailed plan was derived from the five-year plan adopted by the Management Board on November 27, 2018, and acknowledged by the Supervisory Board on December 5, 2018, while for the impairment test performed as of the fourth quarter, the detailed plan was derived from the five-year plan adopted by the Management Board on November 27, 2019, and acknowledged by the Supervisory Board on December 5, 2019. We assessed the plausibility of the planning assumptions based on sector-specific market expectations. We also assessed the quality of forecasts used for planning in the past by comparing the target figures with actual figures and analyzing the deviations.

As value in use for the regional business areas in the Rental segment is based to a considerable degree on cash flow forecasts beyond the detailed planning horizon (period of perpetuity), we particularly evaluated capitalized maintenance as well as the sustainable growth rates used for the period of perpetuity against the backdrop of regional differences in the various business areas and based on external market assessments.

With regard to the WACCs determined by Vonovia, we assessed the individual assumptions and parameters used in detail on the basis of available market data and also critically evaluated them as a whole compared to comparable companies in the real estate sector. Due to the material effect of even minor changes in WACC, we focused in particular on the sensitivity analyses conducted by Vonovia as another audit focus area and verified whether impairment losses could arise due to changes of individual WACC assumptions and parameters within an expected range.

We verified (recalculated) the values in use determined by Vonovia and compared them with the corresponding carrying amounts.

Finally, we assessed whether the disclosures in the notes regarding impairment of goodwill are appropriate. This also included an assessment of the appropriateness of disclosures in the notes on sensitivity in the event of reasonably possible changes in key assumptions and parameters used for measurement.

Our Observations

The calculation model used for impairment testing of goodwill is appropriate and in line with the accounting policies to be applied. The Company's assumptions and parameters used for measurement are within an acceptable range. The disclosures in the notes on impairment-testing of goodwill are appropriate.

Identification and Measurement of Assets and Liabilities Acquired in the Course of Acquisition of Hembla

See notes 3 and 4 to the consolidated financial statements.

The Financial Statement Risk

In financial year 2019, Vonovia acquired 94.1% of the shares in Hembla, largely as part of a share purchase and a public tender offer. The consideration transferred on the date of acquisition was € 1,891.9 million. Taking into account acquired net assets of € 1,147.2 million, goodwill amounts to € 744.7 million.

The acquired identifiable assets and assumed liabilities are usually recognized at fair value pursuant to IFRS 3 on the date of acquisition (November 7, 2019). Vonovia consulted an independent expert for determining and measuring the identifiable assets acquired and liabilities assumed.

The identification and measurement of assets acquired and liabilities assumed is complex and based on assumptions of the Management Board that require judgment. When determining fair value, there is considerable scope for judgment with regard to the measurement of investment properties, which requires judgments and estimates by management.

There is the risk for the consolidated financial statements that the assets acquired and liabilities assumed are identified improperly or measured inaccurately. There is also the risk that the disclosures in the notes to the consolidated financial statements are not complete and accurate.

Our Audit Approach

By involving our valuation experts, we have also assessed the appropriateness of key assumptions and parameters as well as the identification and valuation methods used. To that end, we first gained an understanding of the acquisition by consulting the Management Board and relevant members of staff, both of Vonovia and Hembla, and by assessing the agreement for the share purchase and the public takeover offer. To gain further insights into the business activities as well as economic and legal environment of Hembla, we held discussions with the local auditor. In addition, we assessed the process of identification of assets acquired and liabilities assumed considering our sector knowledge for compliance with the requirements of IFRS 3.

We assessed the competence, professional skills and impartiality of the independent expert engaged by Vonovia. Our other audit procedures focused in particular on the identification of value determinants for the investment properties to be valued, mainly market rents and the expected trend in rental rates, the maintenance costs used and discount/capitalization rates, and also the complete recognition and measurement of non-derivative and derivative financial liabilities. We investigated the valuation methods used for their compliance with the accounting policies.

Finally, we assessed whether the disclosures in the notes regarding the acquisition of Hembla were complete and accurate.

Our Observations

The approach used for identifying and measuring the assets acquired and liabilities assumed is appropriate and in line with the accounting policies to be applied. The key assumptions and parameters are appropriate and they are properly presented in the notes to the consolidated financial statements.

Other Information

Management and the Supervisory Board are responsible for the other information. The other information comprises the following parts of the combined management report, whose content was not audited:

> the non-financial statement, which is included in a separate section of the combined management report, and

> the corporate governance statement referred to in the combined management report.

The other information also includes the other parts of the annual report.

The other information does not include the consolidated financial statements, the combined management report information audited for content and our auditor's report thereon.

Our opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

> is materially inconsistent with the consolidated financial statements, with the information in the combined management report audited for content or our knowledge obtained in the audit, or

> otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

Management is responsible for the preparation of consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) and supplementary compliance with the ISAs will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

> Identify and assess the risks of material misstatements of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

> Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

> Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.

> Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

> Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.

> Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

> Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

> Perform audit procedures on the prospective information presented by management in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Further Information Pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor at the annual general meeting on May 16, 2019. We were engaged by the Supervisory Board on January 20, 2020. We have been the group auditor of Vonovia SE without interruption since the Company's IPO in financial year 2013.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Martin C. Bornhofen.

Düsseldorf, February 28, 2020

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Ufer	Bornhofen
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Audited Consolidated Financial Statements of Vonovia SE as of and for the financial year ended December 31, 2018 (IFRS)

Consolidated Income Statement

January 1 until December 31

in € million	Notes	2017	2018
Income from property letting		2,344.0	2,647.9
Other income from property management		47.6	60.3
Income from property management	7	**2,391.6**	**2,708.2**
Income from disposal of properties		1,206.4	1.097.5
Carrying amount of properties sold		-1,136.0	-933.7
Revaluation of assets held for sale		81.1	68.5
Profit on disposal of properties	8	**151.5**	**232.3**
Income from the disposal of properties (Development)		–	225.1
Cost of sold properties		–	-181.8
Profit on the disposal of properties (Development)	9	**–**	**43.3**
Net income from fair value adjustments of investment properties	10	3,434.1	3,517.9
Capitalized internal expenses	11	458.1	608.2
Cost of materials	12	-1,176.4	-1,381.0
Personnel expenses	13	-416.0	-513.1
Depreciation and amortization	14	-372.2	-737.9
Other operating income	15	110.7	132.2
Impairment losses on financial assets		-23.0	-21.6
Gains/losses resulting from the derecognition of financial assets measured at amortized cost		2.0	1.0
Other operating expenses	16	-246.8	-300.0
Net income from investments accounted for using the equity method		0.0	1.8
Financial income	17	46.8	32.1
Financial expenses	18	-353.0	-449.1
Earnings before tax		**4,007.4**	**3,874.3**
Income taxes	19	-1,440.5	-1,471.5
Profit for the period		**2,566.9**	**2,402.8**
Attributable to:			
Vonovia's shareholders		2,410.7	2,266.5
Vonovia's hybrid capital investors		40.0	40.0
Non-controlling interests		116.2	96.3
Earnings per share (basic and diluted) in €	20	**5.06**	**4.48**

Consolidated Statement of Comprehensive Income

January 1 until December 31

in € million	2017	2018
Profit for the period	2,566.9	2,402.8
Cash flow hedges		
Change in unrealized gains/losses	-168.0	0.4
Taxes on the change in unrealized gains/losses	57.3	3.0
Net realized gains/losses	199.8	3.1
Taxes due to net realized gains/losses	-64.7	-1.0
Total	24.4	5.5
Available-for-sale financial assets		
Changes in the period	133.4	–
Taxes on changes in the period	-2.4	–
Total	131.0	–
Currency translation differences		
Changes in the period	0.9	16.3
Net realized gains/losses	–	-0.7
Total	0.9	15.6
Items which will be recognized in profit or loss in the future	156.3	21.1
Equity instruments at fair value in other comprehensive income		
Changes in the period	–	60.0
Taxes on changes in the period	–	-0.9
Total	–	59.1
Actuarial gains and losses from pensions and similar obligations		
Change in actuarial gains/losses, net	5.1	-7.7
Tax effect	-1.8	2.7
Total	3.3	-5.0
Items which will not be recognized in profit or loss in the future	3.3	54.1
Other comprehensive income	159.6	75.2
Total comprehensive income	**2,726.5**	**2,478.0**
Attributable to:		
Vonovia's shareholders	2,570.2	2,340.3
Vonovia's hybrid capital investors	40.0	40.0
Non-controlling interests	116.3	97.7

Consolidated Balance Sheet

Assets

in € million	Notes	Dec. 31, 2017	Dec. 31, 2018
Intangible assets	21	2,637.1	2,943.2
Property, plant and equipment	22	177.6	250.4
Investment properties	23	33,182.8	43,490.9
Financial assets	24	698.0	888.8
Other assets	25	13.8	12.2
Deferred tax assets		10.3	54.1
Total non-current assets		36,719.6	47,639.6
Inventories	27	6.2	8.8
Trade receivables	28	234.9	493.1
Financial assets	24	0.5	0.8
Other assets	25	98.4	114.4
Income tax receivables	26	47.9	170.2
Cash and cash equivalents	29	266.2	547.7
Real estate inventories	30	–	307.1
Assets held for sale	31	142.6	105.9
Total current assets		796.7	1,748.0
Total assets		**37,516.3**	**49,387.6**

Equity and liabilities

in € million	Notes	Dec. 31, 2017	Dec. 31, 2018
Subscribed capital		485.1	518.1
Capital reserves		5,966.3	7,183.4
Retained earnings		8,471.6	9,942.0
Other reserves		157.8	236.7
Total equity attributable to Vonovia's shareholders		**15,080.8**	**17,880.2**
Equity attributable to hybrid capital investors		1,001.6	1,001.6
Total equity attributable to Vonovia's shareholders and hybrid capital investors		**16,082.4**	**18,881.8**
Non-controlling interests		608.8	782.3
Total equity	32	**16,691.2**	**19,664.1**
Provisions	33	607.2	616.7
Trade payables	34	2.4	4.4
Non-derivative financial liabilities	35	12,459.4	17,437.5
Derivatives	36	8.7	69.8
Liabilities from finance leases	37	94.7	94.7
Liabilities to non-controlling interests	38	24.9	24.2
Financial liabilities from tenant financing	39	–	56.1
Other liabilities	40	65.3	42.5
Deferred tax liabilities		5,322.6	7,231.9
Total non-current liabilities		**18,585.2**	**25,577.8**
Provisions	33	376.5	450.5
Trade payables	34	130.7	239.1
Non-derivative financial liabilities	35	1,601.1	2,698.5
Derivatives	36	4.4	41.4
Liabilities from finance leases	37	4.6	4.7
Liabilities to non-controlling interests	38	9.0	9.0
Financial liabilities from tenant financing	39	7.7	104.7
Other liabilities	40	105.9	597.8
Total current liabilities		**2,239.9**	**4,145.7**
Total liabilities		**20,825.1**	**29,723.5**
Total equity and liabilities		**37,516.3**	**49,387.6**

Consolidated Statement of Cash Flows

January 1 until December 31

in € million	Notes	2017	2018
Profit for the period		2,566.9	2.402.8
Net income from fair value adjustments of investment properties	10	-3,434.1	-3,517.9
Revaluation of assets held for sale	8	-81.1	-68.5
Depreciation and amortization	14	372.2	737.9
Interest expenses/income		326.3	440.1
Income taxes	19	1,440.5	1,471.5
Results from disposals of investment properties		-70.4	-163.8
Results from disposals of other non-current assets		0.2	0.2
Other expenses/income not affecting net income		0.6	–
Change in working capital		-123.7	-3.4
Income tax paid		-51.4	-166.4
Cash flow from operating activities		**946.0**	**1,132.5**
Proceeds from disposals of investment properties and assets held for sale		1,165.2	1,054.2
Proceeds from disposals of other assets		16.4	7.4
Payments for acquisition of investment properties	23	-1,043.0	-1,358.8
Payments for acquisition of other assets	23/25	-80.2	-211.5
Payments for acquisition of shares in consolidated companies, in due consideration of liquid funds	4	-1,412.0	-3,387.7
Interest received		3.5	3.9
Cash flow from investing activities		**-1,350.1**	**-3,892.5**

in € million	Notes	2017	2018
Capital contributions on the issue of new shares (including premium)	32	–	995.8
Cash paid to shareholders of Vonovia SE and non-controlling interests	32	-277.9	-401.1
Payments to hybrid capital investors	32	-40.0	-40.0
Proceeds from issuing financial liabilities	35	2,920.5	5,064.2
Cash repayments of financial liabilities	35	-3,248.7	-1,901.6
Payments for transaction costs in connection with capital measures	35	-12.5	-54.9
Payments for other financing costs		-47.9	-22.3
Payments for the acquisition of shares in non-controlling interests		-137.1	-309.0
Proceeds for the sale of shares of consolidated companies		276.6	16.2
Interest paid		-303.5	-305.8
Cash flow from financing activities		**-870.5**	**3,041.5**
Net changes in cash and cash equivalents		**-1,274.6**	**281.5**
Cash and cash equivalents at the beginning of the period		1,540.8	266.2
Cash and cash equivalents at the end of the period*	29	**266.2**	**547.7**

* Thereof restricted cash € 57.2 million (Dec. 31, 2017: € 36,3 million).

Consolidated Statement of Changes in Equity

in € million	Subscribed capital	Capital reserves	Retained earnings	Other reserves: Cash flow hedges	Other reserves: Equity instruments at fair value in other comprehensive income
As of Jan. 1, 2017	466.0	5,334.9	6,665.4	-93.2	94.7
Profit for the period			2,410.7		
Other comprehensive income					
Changes in the period			3.2	-110.7	131.0
Reclassification affecting net income				135.1	
Total comprehensive income			2,413.9	24.4	131.0
Capital increase	19.1				
Premium on the issue of new shares		634.3			
Transaction costs in connection with the issue of shares		-2.9			
Dividend distributed by Vonovia SE			-525.1		
Acquisition of conwert					
Changes recognized directly in equity			-82.6		
As of Dec. 31, 2017	**485.1**	**5,966.3**	**8,471.6**	**-68.8**	**225.7**
As of Jan. 1, 2018	485.1	5,966.3	8,471.6	-68.8	225.7
Profit for the period			2,266.5		
Other comprehensive income					
Changes in the period			-5.1	3.4	59.1
Reclassification affecting net income				2.1	
Total comprehensive income			2,261.4	5.5	59.1
Capital increase	33.0				
Premium on the issue of new shares		1,224.4			
Transaction costs in connection with the issue of shares		-7.5			
Dividend distributed by Vonovia SE			-640.3		
Acquisitions (mainly Victoria Park and BUWOG)					
Changes recognized directly in equity		0.2	-150.7		
As of Dec. 31, 2018	**518.1**	**7,183.4**	**9,942.0**	**-63.3**	**284.8**

Currency translation differences	Total	Equity attributable to Vonovia's shareholders	Equity attributable to Vonovia's hybrid capital investors	Equity attributable to Vonovia's shareholders and hybrid capital investors	Non-controlling interests	Total equity
	1.5	12,467.8	1,001.6	13,469.4	419.0	13,888.4
		2,410.7	40.0	2,450.7	116.2	2,566.9
0.9	21.2	24.4		24.4	0.1	24.5
	135.1	135.1		135.1		135.1
0.9	156.3	2.570.2	40.0	2,610.2	116.3	2,726.5
		19.1		19.1		19.1
		634.3		634.3		634.3
		-2.9		-2.9		-2.9
		-525.1		-525.1		-525.1
					127.3	127.3
		-82.6	-40.0	-122.6	-53.8	-176.4
0.9	**157.8**	**15,080.8**	**1,001.6**	**16,082.4**	**608.8**	**16,691.2**
0.9	157.8	15,080.8	1,001.6	16,082.4	608.8	16,691.2
		2,266.5	40.0	2,306.5	96.3	2,402.8
15.0	77.5	72.4		72.4	1.4	73.8
-0.7	1.4	1.4		1.4		1.4
14.3	78.9	2,340.3	40.0	2,380.3	97.7	2,478.0
		33.0		33.0		33.0
		1,224.4		1,224.4		1,224.4
		-7.5		-7.5		-7.5
		-640.3		-640.3		-640.3
					554.0	554.0
		-150.5	-40.0	-190.5	-478.2	-668.7
15.2	**236.7**	**17,880.2**	**1,001.6**	**18,881.8**	**782.3**	**19,664.1**

Notes

Accounting Policies

1 Principles of the Consolidated Financial Statements

Vonovia SE is incorporated and domiciled in Germany. Its registered office is located in Bochum.

The consolidated financial statements as of and for the year ended December 31, 2018, have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted in the EU. In addition, the supplementary commercial law provisions under Section 315e (1) of the German Commercial Code (HGB) have been observed. These are the first consolidated financial statements to which IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" have been applied. Changes to key accounting methods are set out in note [2] Adjustment to Prior-year Figures.

The consolidated financial statements have been prepared on the basis of amortized cost except for investment properties, assets held for sale, derivative financial instruments, equity instruments at fair value under other comprehensive income, plan assets and financial liabilities arising from binding share purchase offers to minority shareholders. These are measured at their fair value or, in the case of financial liabilities arising from binding share price offers, at the minimum purchase price if it is higher than the fair value. The income statement has been prepared using the nature of expense method.

These consolidated financial statements are presented in euros, which is the Group's functional currency. Unless stated otherwise, all figures are shown in million euros (€ million).

The Management Board of Vonovia SE drew up the consolidated financial statements on February 25, 2019.

2 Adjustment to Prior-year Figures

Changes were made to segment reporting in the 2018 fiscal year due to changes in the company's internal organization and reporting structure. The prior-year figures were adjusted accordingly as a result of these changes. For further information, we refer to Chapter [48] "Segment Reporting."

In the fiscal year, the income statement shows impairment losses on financial assets and gains and losses resulting from the derecognition of financial assets measured at amortized cost separately in accordance with IFRS 9. The previous year was adjusted accordingly.

Financial liabilities from tenant financing are shown separately in the balance sheet in the fiscal year. The previous year was adjusted accordingly.

3 Consolidation Principles

Business Combinations

An entity shall account for each business combination by applying the acquisition method if it obtains control. All hidden reserves and charges of the company acquired are disclosed as part of the necessary remeasurement. Any excess of the cost of a business combination over Vonovia's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities, following the disclosure of hidden reserves and charges, is recognized as goodwill in the balance sheet. The consideration transferred at the time of the acquisition and the identifiable net assets that are acquired are measured at fair value as a general rule. Transaction costs are recognized as an expense immediately insofar as they do not relate to capital procurement costs or costs relating to the issue of debt capital.

Subsidiaries

Subsidiaries are companies that are controlled by the Group. The Group controls an investee if it is exposed to risks or has rights to variable returns from its involvement with the investee and has the ability to use its power of control over the investee to influence the level of these returns. In the process of full consolidation, the assets and liabilities of a subsidiary are included in the consolidated financial statements in their entirety. Subsidiaries are included in the consolidated financial statements from the date on which Vonovia SE obtains control until the day control ceases.

Non-controlling Interests

The equity of a subsidiary that is not attributable to Vonovia is shown as a separate component of equity under non-controlling interests. Non-controlling interests are measured based on their share of the identified net assets of the acquired company at the time of acquisition.

Changes in a parent ownership's interest in a subsidiary that do not result in the parent's losing control of the subsidiary are equity transactions.

Loss of Control

If Vonovia loses control over a subsidiary, the assets and liabilities of the subsidiary in question, as well as any corresponding non-controlling interests, are derecognized. The result is recognized in the income statement. Any investment retained is recognized at fair value when control is lost.

Associates and Joint Arrangements

Associates and joint arrangements classified as joint ventures are accounted for using the equity method. An associate is an entity over which the investor has significant influence. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. If the arrangement involves rights to the assets and obligations for the liabilities of a joint arrangement instead, then these are recognized using quota consolidation.

Business Transactions Eliminated on Consolidation

The effects of the business transactions between the entities included in the Vonovia consolidated financial statements are eliminated.

Results from business transactions with companies accounted for using the equity method are only eliminated in line with the Group's share in the investee.

The financial statements of Vonovia SE and all subsidiaries are consistently prepared according to uniform accounting policies.

4 Scope of Consolidation and Business Combinations

All in all, and including Vonovia SE, 520 companies (Dec. 31, 2017: 350) – thereof 318 (Dec. 31, 2017: 259) domestic companies and 202 (Dec. 31, 2017: 91) foreign companies – have been included in the consolidated financial statements as of December 31, 2018. In addition, joint activities were performed with two domestic companies (Dec. 31, 2017: none). In addition, four (Dec. 31, 2017: four) domestic companies and two (Dec. 31, 2017: one) foreign companies were included as joint ventures and two (Dec. 31, 2017: none) foreign companies were included as associated companies valued using the equity method.

For all subsidiaries included in the consolidated financial statements, the reporting date is December 31.

The list of Vonovia shareholdings is appended to the Notes to the consolidated financial statements as an integral part thereof.

Companies that have made use of the exemption provision set out in Section 264 (3) of the German Commercial Code (HGB) are marked accordingly in the list of shareholdings.

The changes as of December 31, 2018, compared with the previous year result from the acquisition of the BUWOG Group (128 companies, of which two have joint activities), the Victoria Park Group (71 companies, of which two are associated companies) and 14 further acquisitions, including one joint venture, four newly established companies, 31 mergers, seven accruals, two liquidations and two sales.

Acquisition of BUWOG

In connection with the voluntary public takeover offer that Vonovia SE made on December 18, 2017, to the shareholders of BUWOG AG, Vienna, Austria (BUWOG), a total of 82,844,967 shares had been tendered after the end of the acceptance deadline on March 12, 2018, at a price of € 29.05 per Vonovia share. In addition, 2,988 BUWOG convertible bonds, which account for 99.6% of the total par value of the convertible bonds, were tendered at a price of € 115,753.65 each.

The acquisition date at which Vonovia SE obtained control of the BUWOG Group is March 26, 2018. This was the date on which the offer was settled. This transaction shall be treated as a business combination in accordance with IFRS 3.

The second extended tender phase started in accordance with Section 19 (3) 3 of the Austrian Takeover Act (ÜbG) on March 16, 2018, and ended at 5 p.m. CEST on June 18, 2018. With the conclusion of this second extended tender period, a further 15,281,786 shares were tendered to Vonovia. Furthermore, the 2,988 convertible bonds that were tendered during the first tender period, in addition to ten that were tendered in the second tender period, were converted into 11,904,382 shares. Since the acquisition of shares and the conversion were effected under exactly the same conditions as in the first acceptance deadline and the two actions were related in terms of content and timing, a linked transaction can be assumed. Taking the second acceptance period into account along with the 550,000 shares acquired on the market as of March 26, 2018, Vonovia possessed 89.1% of the share capital of BUWOG at the end of the second extended tender phase.

As of September 30, 2018, Vonovia acquired another 2,091,517 shares on the market at a purchase price which was below the offer price. This transaction is presented as a separate acquisition. Overall, Vonovia thus possessed more than 90.7% of the share capital of BUWOG as of December 31, 2018.

On June 20, 2018, Vonovia requested a squeeze-out at the next Annual General Meeting according to the Austrian Squeeze Out Act (Gesellschafterausschlussgesetz). The Annual General Meeting held on October 2, 2018, in Vienna passed a resolution on the transfer of the shares held by the minority shareholders to the main shareholder, Vonovia SE, in return for a cash settlement of € 29.05 per share. The squeeze-out became effective on November 16, 2018.

The consideration transferred comprises the following:

in € billion	
Net cash purchase price component	2.9
Convertible bonds	0.3
Total consideration	**3.2**

The allocation of the total purchase price to the acquired assets and liabilities (PPA) of the BUWOG Group as of the date of first-time consolidation is based on the updated quarterly figures of BUWOG as of January 31, 2018, and on the necessary adjustments to the fair values of the assets and liabilities.

The measurement period for the first-time recognition of the merger with BUWOG ended on December 31, 2018.

The assets and liabilities assumed in the course of the business combination had the following fair values as of the date of first-time consolidation:

in € billion	
Investment properties	4.6
Cash and cash equivalents	0.3
Real estate inventories	0.3
Trade receivables	0.2
Fair value of other assets	0.1
Total assets	5.5
Non-controlling interests	0.3
Non-derivative financial liabilities	1.9
Deferred tax liabilities	0.3
Fair value of other liabilities	0.5
Total liabilities	3.0
Fair value net assets	2.5
Consideration	3.2
Goodwill	**0.7**

The goodwill represents synergies from the future integration of the BUWOG Group, in particular by way of the joint administration and management of the German and Austrian residential units, the development of process know-how, the expansion of the value chain and the optimization of cost structures.

Since April 2018, the BUWOG Group has recognized income from property management in the amount of € 242.1 million, as well as an earnings contribution in terms of earnings before fair value adjustments of investment properties, interest, taxes, depreciation and amortization (EBITDA IFRS) of € 186.2 million. If the BUWOG Group had already been fully included in the consolidated Group as of January 1, 2018, it would have contributed to the income from property management in the amount of € 322.7 million and to EBITDA IFRS in the amount of € 204.5 million.

Out of the trade receivables that were acquired, an amount of € 6.1 million is likely to have been uncollectible at the time of acquisition. The gross amount of the acquired trade receivables was € 163.1 million. The net carrying amount, which corresponds to the fair value, was € 157.0 million.

In the 2018 fiscal year, transaction costs related to the acquisition of the BUWOG Group in the amount of € 35.1 million were recognized in other operating expenses affecting net income. € 29.0 million of this amount was recognized in other operating expenses and € 6.1 million in financial expenses.

A total of 89 domestic and 39 foreign companies of the BUWOG Group were newly included in the scope of consolidation as of the date of acquisition.

Acquisition of Victoria Park

In connection with the voluntary public takeover offer that Vonovia SE made on May 3, 2018, via its subsidiary Deutsche Annington Acquisition Holding GmbH (DA Acquisition) to the shareholders of Victoria Park AB (publ), Malmö, Sweden (Victoria Park), a total of 34,056,463 class A shares, 97,962,486 class B shares and 663,172 preference shares had been tendered to Vonovia after the end of the acceptance deadline on June 18, 2018. The offer price for the class A and class B shares was SEK 38.00, and for preference shares SEK 316.00. The settlement of the offer for shares tendered through June 18, 2018, occurred on June 28, 2018. In addition, a further 158,035 class A and 965,494 class B shares had been acquired on the market by June 28, 2018.

Although Vonovia had less than 50% of the voting rights as of June 28, 2018, in accordance with IFRS 10.B41–B43, de facto control must be assumed as of this point in time, since it held a majority of votes present at the Annual General Meeting. This is why June 28, 2018, is considered the date of acquisition on which Vonovia SE obtained control over the Victoria Park Group. This transaction shall be treated as a business combination in accordance with IFRS 3.

On June 18, 2018, DA Acquisition announced that it would extend the offer period until July 3, 2018, at 5 p.m. (CEST) in order to give shareholders who had not accepted the offer the possibility of doing so. A total of 1,649,385 class A shares, 2,542,719 class B shares and 108,891 preference shares were tendered. Since the acquisition of the shares as part of the extended acceptance period was effected under exactly the same conditions as in the first acceptance period and the two aspects were related in terms of content and timing, a linked transaction can be assumed.

Furthermore, call options were granted to DA Acquisition by the shareholders during the original offer period. They allow Vonovia to purchase 10,235,198 class A shares and 14,264,946 class B shares in Victoria Park ("call option shares") at a fixed price between May 15 and May 29, 2019.

Including the shares acquired by June 28, 2018, the shares tendered during the extended offer period leading up to July 3, 2018, and the call option shares, the stake acquired corresponds to around 66.7% of the share capital and 61.1% of all voting rights in Victoria Park.

On September 5, 2018, Vonovia also acquired the entire interest held by Starwood Capital Group in Victoria Park. This interest, comprised of 27,074,397 class A shares and 32,486,304 class B shares, was held by a company controlled by the Starwood Capital Group. On the basis of the separate agreement reached with the company selling the interest, the acquisition is to be viewed separately from the tender period and the extended tender period and constitutes a separate acquisition transaction.

In addition, a further 103,501 class A and 663,870 class B shares had been acquired on the market by December 31, 2018. As the purchase was at the valid market price in each case and due to the fact that the purchase date fell after June 28, 2018, these additional purchases are also presented as separate acquisitions.

All in all, this means that, including the call options, Vonovia holds 91.4% of the share capital and 93.5% of all voting rights in Victoria Park as of December 31, 2018.

As part of the provisional purchase price allocation using the anticipated acquisition method, the consideration transferred for the business combination comprises the following:

in € billion	
Net cash purchase price component	0.5
Purchase price liability from call-option shares	0.1
Consideration for the acquisition of shares	**0.6**

The provisional allocation of the total purchase price to the acquired assets and liabilities (PPA) of the Victoria Park Group as of the date of first-time consolidation is based on the quarterly figures of Victoria Park as of June 30, 2018, and on the adjustments to the fair values of the acquired assets and liabilities that are necessary.

The assets and liabilities assumed in the course of the business combination had the following preliminary fair values as of the date of first-time consolidation:

in € billion	
Investment properties	1.6
Cash and cash equivalents	0.1
Total assets	**1.7**
Non-controlling interests	0.2
Non-derivative financial liabilities	0.9
Deferred tax liabilities	0.1
Fair value of other liabilities	0.1
Total liabilities	**1.3**
Fair value net assets	**0.4**
Consideration	0.6
Goodwill	**0.2**

Goodwill represents benefits from the future cooperation between the Victoria Park Group and Vonovia through the partial transfer of Vonovia's business strategy, in particular regarding its property and portfolio management strategy for the administration and management of the residential units, the utilization of Vonovia's modernization know-how to further modernize the portfolio and the Value-add strategy with a focus on expanding the value chain.

Since July 2018, the Victoria Park Group has recognized income from property management in the amount of € 59.5 million, as well as an earnings contribution in terms of earnings before fair value adjustments of investment properties, interest, taxes, depreciation and amortization (EBITDA IFRS) of € 33.7 million. If the Victoria Park Group had already been fully included in the consolidated Group as of January 1, 2018, it would have contributed to the income from property management in the amount of € 117.2 million and to EBITDA IFRS in the amount of € 59.3 million.

Out of the trade receivables that were acquired, an amount of € 0.9 million is likely to have been uncollectible at the time of acquisition. The gross amount of the acquired trade receivables was € 3.3 million. The net carrying amount, which corresponds to the fair value, was € 2.4 million.

In the 2018 fiscal year, transaction costs related to the acquisition of the Victoria Park Group in the amount of € 22.0 million were recognized in other operating expenses affecting net income. € 11.8 million of this amount was recognized in other operating expenses and € 10.2 million in financial expenses.

A total of 71 foreign companies, thereof two associated companies, were newly included in the scope of consolidation as of the date of acquisition. Two of these companies were valued using the equity method.

5 Currency Translation

Vonovia applies the concept of functional currency translation in accordance with IAS 21 Effects of Changes in Foreign Exchange Rates to its consolidated financial statements. The functional currency of Vonovia SE and the reporting currency of the Vonovia Group is the euro.

Foreign currency transactions involving Group companies are converted into the functional currency, in accordance with the temporal method, at the exchange rate that applies on the day of the transaction. Monetary balance sheet items denominated in a foreign currency are converted at the exchange rate that applies on each reporting date. Any exchange differences are recognized affecting net income. Non-monetary items that are measured in terms of historical cost are recorded on the reporting date at the exchange rate on the date they were first recognized. Non-monetary items that are measured at fair value are translated on the reporting date using the exchange rate on the date the fair value was determined. Exchange differences relating to non-monetary items are recognized affecting net income insofar as a profit or loss on the corresponding line item is also recognized affecting net income. Otherwise, they are disclosed in other comprehensive income.

The main foreign subsidiaries included in the consolidated financial statements operate their business independently in line with functional theory. The annual financial statements of those subsidiaries whose functional currency is not the euro are converted into the reporting currency using the modified closing rate method. The functional currency of individual foreign units is always the respective local currency. Any resulting exchange differences are disclosed as a separate item in other comprehensive income. When a foreign subsidiary leaves the scope of consolidation, the cumulative exchange differences are reversed and recognized in profit or loss.

The exchange rates of the currencies relevant to the Vonovia Group have developed as follows:

	Closing rate		Average for period	
Basis: € 1	Dec. 31, 2017	Dec. 31, 2018	2017	2018
HUF – Hungarian forint	310.33	320.98	309.19	318.89
SEK – Swedish kronor	9.84	10.25	9.64	10.36*
UAH – Ukrainian hryvnia	33.58	32.79**	30.00	32.18**
USD – US dollar	1.20	1.15	1.13	1.18

* The average for the period for the Swedish kronor for 2018 is calculated for the period from July 1 to December 31, as Vonovia's Swedish subsidiary was only included in the consolidated financial statements as of June 30, 2018.

** The exchange rate at the end of the reporting period and the average value for the period for Ukrainian hryvnia is fixed at the value for 2018 or up to September 30 as the company was sold as of September 30.

6 Accounting Policies

a) Recognition of Income and Expenses

Income from property management includes income from the rental of investment properties and assets held for sale which is recognized, net of discounts, over the duration of the contracts when the remuneration is contractually fixed or can be reliably determined and collection of the related receivable is probable.

In Vonovia's financial statements, the corresponding income for all the services for ancillary costs performed by the end of the year is also recognized in the year in which the service is performed. This amount is recognized on a not netted basis using the principal method, in particular due to Vonovia's business model, which provides for a large proportion of services relevant to ancillary costs being performed by Vonovia itself as Vonovia is considered by the tenant to be the primary party responsible for providing the service. For all services that it does not perform itself, Vonovia also bears an inventory risk due to the settlement method (based on rentable area) as is standard practice in the real estate sector.

Income from real estate sales is recognized as soon as the material risks and rewards of ownership have been transferred to the buyer and Vonovia has no substantial further obligations. As far as any remaining obligations are concerned, a provision is recognized for the probable risk.

Expenses are recognized when they arise or at the time they are incurred. Interest is recognized as income or expense in the period in which it is incurred using the effective interest method.

b) Income from Disposal of Properties (Development)

Income from disposal of properties (Development) is realized either over time or at a specific point in time as soon as the customer obtains control over the asset in question. No separate agreements are reached, in the contracts on the sale of apartments as part of the development business, on extraordinary rights of return or rescission, meaning that such rights are based on the relevant legal provisions. The same applies to warranty commitments, which are not to be treated as a separate contractual component within the meaning of IFRS 15 as a result. Existing warranty claims are always accounted for in line with the provisions of IAS 37.

In cases involving revenue recognition over time, the percentage of completion/progress made has to be assessed. Vonovia uses the cost-to-cost method, as an input-based procedure, for this purpose. The progress made is determined based on the ratio of the capitalized contract costs incurred up until the reporting date to the estimated total contract costs that can be capitalized.

c) Goodwill

Goodwill results from a business combination and is defined as the amount by which the acquisition costs for shares in a company or group of companies exceed the pro rata net assets acquired. The net assets are the total of the identifiable assets acquired that are valued at fair value in accordance with IFRS 3 as well as the assumed liabilities and contingent liabilities.

Goodwill is not subject to amortization, but rather is subjected to impairment testing on an annual basis. It is also tested for impairment whenever events or circumstances indicating an impairment arise.

The impairment loss testing of goodwill is performed at the level of cash-generating units (CGUs) or a group of cash-generating units. A cash-generating unit is the smallest group of assets which generates cash inflows that are largely independent of the cash inflows generated by other assets or other groups of assets. Goodwill purchased as part of a business combination is allocated to the CGUs or groups of CGUs that are expected to produce benefits resulting from the synergy effects of the combination.

At Vonovia, each property meets the requirements for classification as a CGU as a general rule. As part of operational management, these properties are grouped first of all to form geographically structured business units and then to form regional business areas. Since the regional business areas are the lowest level within the company at which goodwill is monitored for internal management purposes, the impairment test is performed at business area level and, as a result, in accordance with IAS 36.80 for a group of CGUs. The acquired assets are allocated to the business areas based on the geographical location of the properties. A further group of CGUs for which goodwill is monitored for internal management purposes relates to the Value-add segment (formerly "Value-add Business"). The third group of CGUs to which goodwill is allocated and for which goodwill is monitored for management purposes relates to the Development segment.

The group of CGUs to which goodwill has been allocated are tested for impairment on a regular basis. This involves comparing the recoverable amount with the carrying amount of the group of CGUs. The recoverable amount of the group of CGUs is either its value in use or fair value less costs of sale, whichever is higher. When calculating the value in use, the estimated future cash flows are discounted to their cash value. Discount rates before tax are used that reflect the current market assessment of the interest rate effect and the specific risks associated with the business areas/the Value-add segments and Development segments.

If goodwill has been allocated to a group of CGUs and its carrying amount exceeds the recoverable amount, the goodwill is to be written down in the amount of the difference in the first instance. Any need for impairment in excess of this amount is distributed among the other assets in the group of CGUs in proportion to their carrying amount. The individual fair value less costs to sell must not be undercut in this regard.

Impairment losses that have been realized as part of the valuation of goodwill are not reversed in the following years.

d) Other Intangible Assets

Acquired other intangible assets are stated at amortized cost. Internally generated other intangible assets are stated at amortized cost provided that the requirements of IAS 38 for the capitalization of internally generated intangible assets are met. Acquired trademark rights that are identified have an indefinite useful life and are subject to regular impairment testing. All of Vonovia's miscellaneous other intangible assets have definite useful lives and are amortized on a straight-line basis over their estimated useful lives. Software and licenses are amortized on the basis of a useful life of three years.

e) Property, Plant and Equipment

Items of property, plant and equipment are carried at amortized cost less accumulated depreciation and are depreciated over their respective estimated useful lives on a straight-line basis.

Subsequent costs of replacing part of an item of property, plant and equipment are capitalized provided it is probable that future economic benefits associated with the item will flow to Vonovia and the cost can be estimated reliably.

Real estate used by the company itself (owner-occupied properties) is depreciated over 50 years; equipment, fixtures, furniture and office equipment are depreciated over periods of between three and thirteen years.

f) Impairment of Other Intangible Assets and Property, Plant and Equipment

In accordance with IAS 36 "Impairment of Assets," other intangible assets as well as property, plant and equipment are tested for impairment whenever there is an indication of an impairment. Impairment testing is performed at least once a year. An impairment loss is recognized when an asset's recoverable amount is less than its carrying amount. If the recoverable amount cannot be determined for the individual asset, the impairment test is conducted on the CGU to which the asset belongs. Impairment losses are recognized as expenses in the income statement with effect on net income.

An impairment loss recognized for prior periods is reversed if there has been a change in the estimates used to determine the asset's (or the CGU's) recoverable amount since the last impairment loss was recognized. The carrying amount of the asset (or the CGU) is increased to the newly estimated recoverable amount. The carrying amount is limited to the amount that would have been determined if no impairment loss had been recognized in prior years for the asset (or the CGU).

g) Investment Properties

When Vonovia acquires properties, whether through a business combination or as part of a separate transaction, the intended use determines whether such properties are classified as investment properties or as owner-occupied properties.

Investment properties are properties that are held for the purpose of earning rental income or for capital appreciation or both and are not owner-occupied or held for sale in the ordinary course of business. Investment properties include undeveloped land, land and land rights including buildings and land with inheritable building rights of third parties. Properties that are capitalized under a finance lease in accordance with IAS 17 "Leases" and covered by the definition of investment properties are also classified as investment properties.

Investment properties are initially measured at cost. Related transaction costs, such as fees for legal services or real estate transfer taxes, are included in the initial measurement. If properties are purchased as part of a business combination and if the transaction relates to a "business," then IFRS 3 applies as far as recognition is concerned. Transaction costs are recognized as an expense. Property held under a finance lease is recognized at the lower of the fair value of the property and the present value of the minimum lease payments upon initial recognition.

Following initial recognition, investment properties are measured at fair value. Any change therein is recognized as affecting net income in the income statement.

For a description of the determination of the fair values of investment properties, see Chapter [23] Investment Properties.

Investment properties are transferred to property, plant and equipment when there is a change in use evidenced by the commencement of owner-occupation. The properties' deemed cost for subsequent measurement corresponds to the fair value at the date of reclassification.

h) Leases

Leases where all material risks and rewards associated with ownership are transferred to the lessee are accounted for as finance leases.

All leases where not all material risks and rewards associated with ownership are transferred are accounted for as operating leases.

The leased asset and corresponding liability are recognized at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments. Subsequently, the leased asset is accounted for in accordance with the standards applicable to that asset. The minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability.

The lease payments under an operating lease in which Vonovia is the lessee are recognized as an expense on a straight-line basis over the lease term.

The lease payments under an operating lease in which Vonovia is the lessor are recognized as income on a straight-line basis over the lease term.

i) Financial Assets

Financial assets are recognized in the balance sheet when Vonovia becomes a contracting party of the financial instrument. A financial asset is derecognized when the contractual rights to the cash flows from a financial asset expire, or the financial asset is transferred and Vonovia neither retains control nor retains material risks and rewards associated with ownership of the financial asset.

In accordance with IFRS 9, the classification of financial assets takes into account both the business model in which financial assets are held and the characteristics of the cash flows of the assets in question. These criteria determine whether the assets are measured at amortized cost using the effective interest method or at fair value.

The following table shows the quantitative impact of classification in accordance with IFRS 9 compared with IAS 39:

Measurement category as of Jan. 1, 2018 in € million	**IAS 39**	**IFRS 9**
At amortized cost	14,766.4	14,766.4
At fair value through profit and loss	4.2	4.2
At fair value directly in equity under other comprehensive income (OCI) with reclassification to the income statement	648.3	
At fair value directly in equity under other comprehensive income (OCI) without reclassification to the income statement		648.3

With regard to the business model criterion, all financial investments at Vonovia are to be assigned to the "Hold" model pursuant to IFRS 9.4.1.2(a). Whenever financial investments are categorized as equity instruments, Vonovia has exercised the irrevocable option to state future changes to the fair value under other comprehensive income in equity. Gains and losses recognized in other comprehensive income are never reclassified from total equity to the income statement on their disposal.

Impairment losses on financial assets are determined based on the expected credit loss model. The guiding principle of the model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments, taking losses that are already expected into account.

The IFRS 9 approach includes the following measurement levels:

> Level 1: Twelve-month expected credit losses (ECLs), which applies to all items (from initial recognition) as long as there is no significant deterioration in credit quality.
> Level 2: Lifetime ECLs (homogeneous debtor portfolios): which applies, when a significant increase in credit risk has occurred on an individual or collective basis of financial instruments.
> Level 3: Lifetime ECLs (based on an individual assessment): If an individual assessment of assets produces objective indications of a need for impairment, then an assessment of the entire maturity of the financial instrument is decisive.

The simplified impairment approach is used with regard to trade receivables (e.g. rent receivables, receivables from ancillary costs, receivables from the sale of properties) and for contract assets pursuant to IFRS 15. This means that there is no need to track the changes in credit risk. Instead, Vonovia has to set up loan loss provisions in the amount of the lifetime expected credit losses both at the time of initial recognition and on each following reporting date.

Cash and cash equivalents are measured using the general impairment approach.

Loans and Receivables

Loans and receivables are first recognized as incurred, other non-derivative financial assets as of the day of trading. The day of trading is the date on which Vonovia becomes a contracting party of the financial instrument. All financial instruments are initially measured at fair value, taking account of transaction costs. A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire, or the financial asset is transferred and Vonovia neither retains control nor retains material risks and rewards associated with ownership of the financial asset.

Loans and receivables are stated at amortized cost using the effective interest method.

Vonovia determines whether there is an objective indication of an impairment at the level of individual financial instruments if they are material, and, for financial instruments for which no impairments have been identified at the level of the individual financial instruments or such impairments are immaterial, grouped according to risk profile. Impairments are identified for individual financial instruments when the counterparty has defaulted or breached a contract or there are indications of risks of impairments due to a rating downgrade and general information (loss event). For groups of financial instruments with similar risks, historical default probabilities in relation to the time overdue are drawn upon (loss event). An impairment is calculated after the occurrence of a loss event as the difference between the carrying amount and the value of the discounted estimated future cash flow. The original effective interest rate is taken as the discount rate. Impairment losses are recognized with effect on net income and offset directly with the carrying amount of the financial instrument. Any interest income on impaired financial instruments is still recognized. If there are indications that the amount of the impairment loss will be smaller, this reduction is credited to the financial instrument affecting net income to the extent that the sum does not exceed the amortized cost that would have been recognized if the impairment had not occurred.

Available-for-sale Financial Assets (IAS 39)

Available-for-sale financial assets are initially stated at their fair value, plus the directly attributable transaction costs. Subsequent measurement is at fair value as a general rule. Changes in the fair value are, if not an impairment loss, recognized in other comprehensive income. Impairments are reclassified from other comprehensive income to the income statement. Reversals of impairments are recognized in accordance with IAS 39.67f.

The fair value of available-for-sale financial assets is based on quoted market prices as of the reporting date. When an available-for-sale financial asset is derecognized, the cumulative gain or loss recognized in other comprehensive income is transferred to the income statement with an impact on net income. Interest on interest-bearing financial instruments of this category is calculated using the effective interest method. Dividends on equity instruments in this category are shown in the income statement.

Equity Instruments at Fair Value Under Other Comprehensive Income

Equity instruments to be recognized at fair value under other comprehensive income are initially stated at their fair value, plus the directly attributable transaction costs. Subsequent measurement is at fair value as a general rule. Changes in the fair value are recognized in other comprehensive income.

The fair value of equity instruments to be recognized at fair value under other comprehensive income is based on quoted market prices as of the reporting date. If these equity instruments are derecognized, the cumulative gain or loss recognized in other comprehensive income is transferred to retained earnings, without affecting net income. Interest on interest-bearing financial instruments of this category is calculated using the effective interest method. Dividends on equity instruments in this category are shown in the income statement.

j) Inventories

Inventories are valued at cost or at their net realizable value, whichever is lower.

k) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, checks and deposits at banking institutions as well as marketable securities with an original term of up to three months.

l) Real Estate Inventories and Contract Assets

Real Estate Inventories

The development business intended for sale refers to subsidized or independently financed condominiums that are under construction or have already been completed. These properties are not held with the aim of generating rental income or achieving increases in value within the meaning of IAS 40, but rather are developed and constructed to be sold at a later date.

These development projects are recognized depending on whether there is a customer contract for the residential units that are intended for sale. If this is not the case, the valuation is performed, due to the intention to sell, according to IAS 2 at amortized cost or at net realizable value, whichever is lower, with a corresponding disclosure under real estate inventories.

Contract Assets

In cases involving development properties for which control, within the meaning of IFRS 15.35(c), already passes to the customer at the time at which the certified purchase agreement is concluded, revenue is to be recognized as of this point in time based on the degree of completion of the construction project. Disclosure of the contract assets that fall within the scope of IFRS 15 occurs on a net basis with the corresponding advance payments received under trade receivables.

The contract asset item also includes capitalized costs for the initiation of the contracts with customers. These relate, in particular, to brokerage commission, which is calculated differently in Germany and Austria. In Germany, the commission corresponds to 1.50% of the purchase price of the unit, while in Austria the percentage is 0.22%. The costs associated with the contract initiation process are amortized depending on how the goods or services to which the costs relate are transferred to the customer.

Contractual balances with an expected term of less than one year are not adjusted to reflect the time value of money.

m) Assets Held for Sale

To be classified as held for sale, the assets must be available for immediate sale in their present condition subject only to terms that are usual and customary for sales of such assets, and it must be highly probable that a sale will take place. A sale is deemed to be highly probable if there is a commitment to a plan to sell the asset, an active program to locate a buyer and complete the plan has been initiated, the asset is being actively marketed for sale at a reasonable price, and a sale is expected to be completed within one year of the date on which the asset is classified as held for sale.

Vonovia accounts for investment properties as assets held for sale when notarized purchase contracts have been signed or a declaration of intent to purchase has been signed by both parties as of the reporting date but transfer of title will, under the contract, not take place until the subsequent reporting period. Initially they are recognized at the contractually agreed selling price and subsequently at fair value following deductions for costs to sell, if the latter is lower.

n) *Income and Expense Recognized Directly in Other Comprehensive Income*

Other comprehensive income includes changes in total comprehensive income not affecting net income except that resulting from capital transactions with equity holders (e.g. capital increases or dividend distributions). Vonovia includes under this item unrealized gains and losses from the fair value measurement of equity instruments and derivative financial instruments that are designated as cash flow hedges. The item also includes actuarial gains and losses from defined benefit pension commitments, as well as certain currency translation differences.

o) *Tax*

Current Income Taxes

Income taxes for the current and prior fiscal years are recognized as current income tax liabilities to the extent that they have not yet been paid.

A dividend payment to the shareholders does not trigger any tax obligation at Vonovia SE.

Deferred Taxes

Deferred tax assets and liabilities are recognized using the liability method under the temporary concept, providing for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets are only recognized for temporary differences and on loss carryforwards to the extent that there are deferred tax liabilities that can be offset against them – regarding deferred tax assets on loss carryforwards taking the minimum taxation into account – or, based on the predictable profits in the foreseeable future, it can be verified that they will be realized.

Deferred tax assets and liabilities are not recognized where the temporary difference arises from initial recognition of goodwill in connection with a business combination or the initial recognition (other than a business combination) of other assets and liabilities in a transaction that neither affects taxable income nor net income.

The carrying amount of a deferred tax asset is reviewed at each reporting date. If necessary, the carrying amount of the deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profit will be available in the future.

Deferred taxes are measured at the tax rates that apply, or are expected to apply, to the period when the tax asset is realized or the liability is settled based on the current legislation in the countries in question. As in 2017, the combined tax rate of corporate income tax and trade tax of 33.1% was used to calculate domestic deferred taxes for 2018. The corporate income tax rate for the companies based in Austria is 25.0%, while the rate for companies based in Sweden is 20.6%.

Deferred tax assets and liabilities are offset against each other only if Vonovia has a legally enforceable right to set off the recognized amounts, when the same tax authority is involved and when the realization period is the same. In accordance with the regulations of IAS 12 "Income Taxes," deferred tax assets and liabilities are not discounted.

p) *Earnings per Share*

The basic earnings per share are calculated by dividing the profit for the period attributable to the shareholders by the weighted average number of ordinary shares in circulation during the reporting period. The diluted earnings per share are obtained by adjusting the profit for the period and the number of outstanding shares on the basis of the assumption that convertible instruments will be converted, options or warrants will be exercised or ordinary shares will be issued under certain conditions. Potential ordinary shares will only be included in the calculation if the conversion into ordinary shares would reduce the earnings per share.

q) *Provisions*

Provisions for Pensions and Similar Obligations

When valuing the provisions for pensions, the company pension obligations are determined using the projected unit credit method pursuant to IAS 19 "Employee Benefits," whereby current pensions and vested pension rights as of the reporting date, as well as expected future increases in salaries and pensions, are included in the valuation. An actuarial valuation is performed at every reporting date.

The amount shown in the balance sheet is the total present value of the defined benefit obligations (DBO) after offsetting against the fair value of the plan assets.

Actuarial gains and losses are accounted for in full in the period in which they occur and recognized in retained earnings as a component of other comprehensive income and not in profit or loss. The actuarial gains and losses are also no longer recognized with effect on net income in subsequent periods.

Service cost is shown in personnel expenses. The service cost is the increase in the present value of a defined benefit obligation resulting from employee service in the reporting period.

The interest expense is recognized in the financial result. Interest expense is the increase during a period in the present value of a defined benefit obligation that generally arises due to the fact that the benefit obligation is one period closer to being discharged.

Reinsurance contracts that qualify as plan assets have been taken out to cover the pension obligations toward particular individuals. Where the value of those reinsurance contracts exceeds the related pension obligations, the excess is recognized as an asset and shown under other assets.

Obligations from joint defined benefit multi-employer plans at Versorgungsanstalt des Bundes und der Länder (VBL), a pension scheme operated by the German federal government and the German states, are stated, in line with IAS 19.34, in the same way as obligations from defined contribution plans, insofar as the information required for the statement of defined benefit plans is not available. The obligations are based on the amounts to be paid for the current period.

Other Provisions

Other provisions are recognized when there is a present obligation, either legal or constructive, vis-à-vis third parties as a result of a past event, if it is probable that a claim will be asserted and the probable amount of the required provision can be reliably estimated. Provisions are discounted if the resulting effect is material. The carrying amount of discounted provisions increases in each period to reflect the passage of time and the unwinding of the discount is recognized within interest expense. The discount rate is a pre-tax rate that reflects current market assessments.

Provisions for restructuring expenses are recognized when the Group has set up and communicated a detailed formal plan for restructuring and has no realistic possibility of withdrawing from these obligations.

Provisions for onerous contracts are recognized when the expected benefits from a contract are lower than the unavoidable cost of meeting the obligations under the contract. The provision is stated at the lower of the present value of the fulfillment obligation and the cost of terminating the contract, i. e., a possible indemnity or fine for breach or non-fulfillment of contract.

Provisions are reviewed regularly and adjusted to reflect new information or changed circumstances.

The provisions for pre-retirement part-time work arrangements are basically to be classified as other long-term employee benefits that are to be accrued over the employees' service periods.

The assets of the insolvency policy to secure fulfillment shortfalls arising from pre-retirement part-time work arrangements are offset against the amounts for fulfillment shortfalls contained in the provisions for pre-retirement part-time work arrangements.

r) Financial Liabilities

Vonovia recognizes non-derivative financial liabilities, which mainly include liabilities to banks and to investors, at their fair value on the day of trading, less the directly attributable transaction costs (this generally corresponds to the acquisition cost). These liabilities are subsequently measured at amortized cost using the effective interest method. Financial liabilities are derecognized when Vonovia's obligations specified in the contract expire or are discharged or canceled.

Liabilities bearing no interest or interest below market rates in return for occupancy rights at rents below the prevailing market rates are recorded at present value.

Derivative financial instruments are stated at their fair value on the day of trading when they are recognized for the first time. The fair values of the derivative financial instruments are calculated using standard market valuation methods for such instruments on the basis of the market data available on the valuation date.

With derivatives that are not designated as a hedging instrument in the balance sheet, changes in the fair value are recognized in profit or loss with effect on net income.

The changes to IFRS 9 relating to hedge accounting include, among other things, an expanded range of eligible hedged items, changes regarding the posting approach for certain undesignated value components of hedging instruments, the abolition of the fixed effectiveness ranges for retrospective effectiveness testing and the first-time introduction of "recalibration." The less restrictive provisions compared with IAS 39 make it easier to reflect economic risk management in the balance sheet, which can, in turn, reduce artificial volatility in the income statement.

In general, the new provisions set out above will not have any impact on the Vonovia Group.

At the time of initial application of IFRS 9, Vonovia will opt to continue to apply the hedge accounting provisions set out in IAS 39 as opposed to the provisions of IFRS 9. Vonovia will apply this accounting method to all hedge relationships.

With derivatives designated as hedging instruments, the recognition of changes in the fair value depends on the type of hedge:

With a fair value hedge, the changes in the fair value of the derivative financial instruments and of the underlying hedged items attributable to the hedged risk are recognized affecting net income.

With a cash flow hedge, the unrealized gains and losses are initially recognized in other comprehensive income to the extent that the hedge is effective. Amounts accumulated in other comprehensive income are reclassified to the income statement at the same time the underlying hedged item affects net income. To the extent that the hedge is ineffective, the change in fair value is immediately recognized in net interest.

Embedded derivative financial instruments that are combined with a non-derivative financial instrument (host contract) to form a hybrid financial instrument are to be separated from the underlying contract pursuant to IAS 39 as a general rule and accounted for separately if (i) its economic risks and characteristics are not closely related to those of the host contract, (ii) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and (iii) the hybrid instrument is not measured at fair value affecting net income with changes in fair value recognized in the income statement. As soon as the derivative is to be separated from its host contract, the individual components of the hybrid financial instrument are to be accounted for based on the provisions that apply to the individual financial instruments.

In order to measure interest rate swaps, future cash flows are calculated and then discounted. The calculated cash flows result from the contract conditions. The contract conditions regularly refer to the EURIBOR/STIBOR reference rates (3M and 6M EURIBOR/STIBOR). Discounting is based on market interest rate data as of the reporting date for comparable instruments (EURIBOR/STIBOR rate of the same tenor). The fair value contains the credit risk of the interest rate swaps and therefore allows for adjustments for the company's own credit risk or for the counterparty credit risk.

To measure the cross currency swaps, future cash flows are calculated and then discounted. The calculated cash flows result from the contract conditions and the USD forward rates (development of exchange rates expected by the market). Discounting is based on market interest rate data as of the reporting date for comparable instruments (EURIBOR rate of the same tenor). The fair value contains the credit risk of the cross currency swaps and therefore allows for adjustments for the company's own credit risk or for the counterparty credit risk.

Liabilities from finance leases are initially recognized at the fair value of the leased object or the lower present value of the minimum lease payments. For the purposes of subsequent measurement, the leased asset is accounted for in accordance with the standards applicable to that asset. The minimum lease payments are split into an interest and a principal repayment component in respect of the residual debt.

Liabilities to non-controlling interests, which include obligations from the guaranteed dividend agreements, in particular, are stated at fair value when they are recognized for the first time. The fair value is, in principle, determined by the value of the respective company; if a contractually agreed minimum purchase price is higher than this amount, this purchase price is recognized.

s) *Financial Liabilities from Tenant Financing*

Financial liabilities from tenant financing include tenant financing contributions. The financing contributions relate to the contributions collected from tenants in Austria for subsidized apartments. These are reimbursed upon the termination of the rental contract following the deduction of a depreciation amount. The amount refunded can be collected again relating to new tenants. As these are generally rental contracts that can be terminated at any time, these liabilities are reported as current liabilities.

Financial liabilities from tenant financing also include maintenance and improvement contributions deposited by tenants (EVB). These contributions are paid by tenants in Austria to finance the costs associated with modernization work. The payment depends on the age of the building and must be used up for modernization work within 20 years of their receipt. Otherwise, the contributions have to be refunded to the tenant.

First-time recognition is at fair value. Subsequent measurement is at amortized cost.

t) *Share-based Payment*

The obligations arising from share-based payments are calculated using standard valuation methods based on option pricing models.

Equity-settled share-based payments are recognized at the grant date at the fair value of the equity instruments vested by that date. The fair value of the obligation is therefore recognized as personnel expenses proportionally over the vesting period and is offset directly against the capital reserves.

The cash-settled share-based payments are shown under other provisions and remeasured at fair value at each reporting date. The expenses are also recognized as personnel expenses over the vesting period (see notes [33] Provisions and [50] Share-based Payment).

u) *Government Grants*

The companies that belong to the Group receive grants from public authorities in the form of construction subsidies, expenses subsidies, expenses loans and low-interest loans.

Government grants are recognized when there is reasonable assurance that the relevant conditions will be fulfilled and that the grants will be awarded.

Government grants that do not relate to investments are regularly recognized as income in the periods in which the relevant expenses are incurred.

Expenses subsidies granted in the form of rent, interest and other expenses subsidies are recorded as income in the periods in which the expenses are incurred and shown within other income from property management.

The low-interest loans are grants from public authorities that – insofar as the company received them as part of a business combination – are recorded at present value. The difference between face value and present value is recognized with an effect on net income over the maturity term of the corresponding loans.

New expenses loans or low-interest loans are initially recognized at their present value within the non-derivative financial liabilities on the basis of the market interest rate at the time the loans are taken out. The difference between the face value and the present value of the loan is recognized as deferred income. Reversal occurs, in principle, with an effect on net income in line with the length of the fixed-interest-rate period of the relevant loans. In cases where the low-interest loans are issued as part of capitalized modernization measures, the difference between the face value and the present value of the loan is deducted from the capitalized acquisition cost. In subsequent measurements, the loans are measured at amortized cost. In the 2018 fiscal year, Vonovia was granted low-interest loans of € 171.1 million (2017: € 494.6 million).

v) *Contingent Liabilities*

A contingent liability is a possible obligation towards third parties that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events or a present obligation that arises from past events for which an outflow of resources is not probable or the amount of which cannot be estimated with sufficient reliability. According to IAS 37, contingent liabilities are not generally recognized.

w) *Estimates, Assumptions, Options and Management Judgment*

Estimates and Assumptions

To a certain extent, the preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the reporting date, as well as reported amounts of income and expenses during the reporting year. The actual amounts may differ from the estimates as the business environment may develop differently than assumed. In this case, the assumptions and, where necessary, the carrying amounts of the assets or liabilities affected are prospectively adjusted accordingly.

Assumptions and estimates are reviewed on an ongoing basis and are based on experience and other factors, including expectations regarding future events that appear reasonable under the given circumstances.

The estimates and assumptions that may have a material risk of causing an adjustment to the carrying amounts of assets and liabilities mainly relate to the determination of the fair value of investment properties.

The best evidence of fair value of investment properties is current prices in an active market for comparable properties. As such information is not completely available, however, Vonovia uses standard valuation techniques.

A detailed description of the discounted cash flow (DCF) method used can be found in note [23] Investment Properties.

In accordance with IAS 40 in conjunction with IFRS 13, the respective market values of the investment properties owned by Vonovia are determined for accounting purposes. Changes in certain market conditions such as prevailing rent levels and vacancy rates may affect the valuation of investment properties. Any changes in the fair value of the investment portfolio are recognized as part of the profit for the period in the Group's income statement and can thus substantially affect Vonovia's results of operations.

The statement of financial liabilities at amortized cost using the effective interest method takes the expected contractual cash flows into account. In some cases, the agreements do not have any fixed maturity terms. As a result, the cash flows included in the valuation are subject to management assumptions in terms of amount and term.

As explained in the accounting policies, Vonovia checks for goodwill impairments on an annual basis, or if there is any reason to suspect such impairments. The next step involves estimating the recoverable amount of the group of cash-generating units (CGU). This corresponds to either the fair value less costs of sale or the value in use, whichever is higher. Determining the value in use includes adjustments and estimates regarding the forecast and discounting of the future cash flow. Although the management believes that the assumptions used to determine the recoverable amount are appropriate, any unforeseeable changes in these assumptions could result in impairment losses, with a detrimental impact on the net assets, financial position and results of operations.

When determining the volume of current and deferred taxes, the Group takes into account the effects of uncertain tax items and whether additional taxes and interest may be due. This assessment is made on the basis of estimates and assumptions and may contain a number of judgments about future events. New information may become available that causes the Group to change its judgments regarding the appropriateness of existing tax liabilities; such changes to tax liabilities will affect the tax expense in the period in which such a change is made.

Deferred tax assets are recognized to the extent that it can be demonstrated that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that there will be sufficient future taxable profits to realize the tax benefit in the future.

As part of the application of IFRS 15, the determination of the time at which a performance obligation is satisfied, the determination of the progress made in cases involving revenue recognition over time and the assumptions used to determine the amount of the capitalized contract initiation costs may involve discretionary judgment.

Additional estimates and assumptions mainly relate to the uniform definition of useful lives, the assumptions made on the value of land and buildings, the recognition and measurement of provisions, as well as the realization of future tax benefits.

Options and Judgments

Options exercised and judgments made by Vonovia's management in the process of applying the entity's accounting policies that may have a significant effect on the amounts recognized in the consolidated financial statements include the following:

> Determining whether the acquisition of investment properties as part of a business combination constitutes the acquisition of a "business" or the acquisition of an individual asset or group of assets can involve discretionary judgments.
> Vonovia measures investment properties at fair value. If management had opted to use the cost model as permitted under IAS 40, the carrying amounts of the investment properties, as well as the corresponding income and expense items in the income statement, would differ significantly.
> The criteria for assessing in which category a financial asset is to be classified may involve discretionary judgments.
> The need to include information concerning the future in the valuation of expected defaults results in discretionary decisions regarding the impact that changes in economic factors will have on the expected defaults.
> The decision on how to define a group of cash-generating units to which goodwill is allocated may involve discretionary judgments.
> Allocating the goodwill to the group of individual cash-generating units may also involve discretionary judgments. The parameters used in the impairment test, such as the determination of undiscounted cash flows, the weighted average cost of capital and the growth rate, may also involve discretionary judgments. Due to a lack of any detailed definition of the term "operation" (IAS 36.86), the disposal of goodwill within the context of real estate sales may involve discretionary decisions.
> Due to a lack of any detailed definition of the term "a separate major line of business or geographical area of operations" (IFRS 5), a disposal group within the context of real estate sales may involve discretionary decisions.
> At the moment, there are no definitive provisions on how to reflect a mandatory acquisition of non-controlling interests following the acquisition of control as part of a voluntary public takeover offer. In general, the acquisition of shares as part of a public offer during the second offer period is based on exactly the same conditions as those that applied in the first offer period, and the two acquisitions are closely related in terms of content and timing. This means that, even if it is executed in two offer periods, the acquisition constitutes one and the same transaction (linked transaction). Following the completion of the later acquisition, the original purchase price allocation is to be adjusted with retroactive effect from the acquisition date, resulting in a change in the consideration transferred, the fair value of net assets transferred and, consequently, the resulting goodwill.

x) Changes in Accounting Policies due to new Standards and Interpretations

The application of numerous new standards, interpretations and amendments to existing standards became mandatory for the 2018 fiscal year.

The following new or amended standards and interpretations became mandatory for the first time in the 2018 fiscal year. The application of IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" is explained in the relevant sub-sections of the chapter on accounting policies. Neither of the new standards resulted in any adjustments being made to total equity at the time of the transition. The changes in classification pursuant to IFRS 9 are shown in the "Financial Assets" section of the chapter on accounting policies. None of the other new or amended standards listed below had a material impact.

> IAS 40: "Investment Properties"
> IFRS 2: "Share-based Payment"
> IFRS 4: "Insurance Contracts"
> IFRS 9 "Financial Instruments"
> IFRS 15 "Revenue from Contracts with Customers"
> IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

y) *New Standards and Interpretations not yet Applied*

Application of the following standards, interpretations and amendments to existing standards was not yet mandatory for the 2018 fiscal year. Vonovia also did not choose to apply them in advance. Their application will be mandatory for the fiscal years following the dates stated in the following table:

Relevant New Standards, Interpretations and Amendments to Existing Standards and Interpretations		Effective date for Vonovia
Improvements and supplements to a selection of IFRS 2015-2017		Jan 1, 2019*
Amendment to References to the Conceptual Framework in IFRS Standards		Jan 1, 2020*
Amendments to Standards		
IAS 1 and IAS 8	"Presentation of Financial Statements" and "Accounting Policies, Changes in Accounting Estimates and Errors"	Jan 1, 2020*
IAS 28	"Investments in Associates and Joint Ventures"	Jan 1, 2019*
IAS 19	"Employee Benefits"	Jan 1, 2019*
IFRS 3	"Business Combinations"	Jan 1, 2020*
IFRS 9	"Financial Instruments"	Jan 1, 2019
New Standards		
IFRS 16	"Leases"	Jan 1, 2019
IFRS 17	"Insurance Contracts"	Jan 1, 2021*
IFRIC 23	"Uncertainty over Income Tax Treatments"	Jan 1, 2019

* not yet endorsed

IFRS 16

In January 2016, the IASB published the new leasing standard IFRS 16 "Leases." It was adopted by the European Union for application in Europe on November 9, 2017. IFRS 16 specifies how a company measures, presents and discloses leases according to IFRS and is to be applied for the first time, as a mandatory requirement, for fiscal years beginning on or after January 1, 2019.

In particular, IFRS 16 replaces the previous leasing standard, IAS 17 "Leases," and introduces only one accounting model (right-of-use) for lessees, based on which all leases are to be recognized in the balance sheet as a matter of principle. There is an accounting option available for short-term leases and leases of low value assets. Vonovia will be making use of this option, meaning that such leases will not be recognized. The previous distinction between operating and finance leases will only remain in place for accounting at the level of the lessor.

As of January 1, 2019, all contracts that give the Vonovia Group the right to control the use of an asset over a certain period of time in return for consideration are considered leases within the meaning of IFRS 16.

In respect of those leases previously classified as operating leases, Vonovia will be recognizing lease liabilities as of January 1, 2019, equal to the present value of the future lease payments, discounted to reflect the term-specific incremental borrowing rate at the time of initial application. Right-of-use assets are recognized accordingly. The initial measurement of the right-of-use assets as of January 1, 2019, is based on the amount of the lease liabilities plus any advance payments that have already been made.

The right-of-use assets are generally recognized at amortized cost, taking amortization and write-downs into account. Right-of-use assets that meet the definition of investment properties (IAS 40) are already recognized at fair value as of the time of initial application in line with the recognition and measurement rules set out in IAS 40.

The lease liabilities are adjusted in line with financial principles. They are increased by the periodic interest expenses and reduced by the lease payments made.

Leases ending/expiring within the 2019 fiscal year are treated as short-term leases, meaning that they are not recognized. As far as rented IT equipment is concerned, portfolios have been set up for leases with similar terms and a single discount rate has been applied to these portfolios. As part of the transition to IFRS 16, Vonovia also takes scenarios pursuant to IAS 37 into account and adjusts the valuation of the right-of-use assets to reflect provisions for onerous contracts recognized on the reporting date.

The present value of the future lease obligations, pursuant to IAS 17, reported in the Notes to the consolidated financial statements as of December 31, 2018, deviates from the present value of the lease liabilities to be recognized as of January 1, 2019, pursuant to IFRS 16. This is due to leases that will expire in 2019 (short-term) and particularly due to those lease agreements that are not classified as leases under the control model within the meaning of IFRS 16.

Impact on the Consolidated Balance Sheet, Income Statement and Statement of Cash Flows

Vonovia is applying the new leasing standard for the first time as of January 1, 2019, based on the modified retrospective method provided for in the transitional provisions. Based on these provisions, the cumulative effect resulting from the initial application of IFRS 16 is recognized as an adjustment to the value of retained earnings in the opening balance sheet. Comparative information is not adjusted.

Vonovia expects the recognition of lease liabilities and right-of-use assets to increase its total assets by around € 311.4 million as of January 1, 2019, based on current calculations. This includes a reduction in retained earnings of around € 34.2 million resulting mainly from differences in the discounting of right-of-use assets and lease liabilities in connection with leasehold contracts. Due to the fair value measurement of the right-of-use assets under leasehold contracts, the right-of-use assets are calculated using property-specific discount rates. The lease liabilities from leasehold contracts, on the other hand, are calculated with the help of term-specific incremental borrowing rates. The equity ratio within the Group will fall accordingly. The weighted average incremental borrowing rate for all lease liabilities to be recognized amounts to 2.3% as of January 1, 2019.

In the consolidated income statement, leasing expenses from operating leases that were recognized on a straight-line basis in the past will be replaced, as of January 1, 2019, with amortization/earnings effects of the fair value measurement (for right-of-use assets relating to assets within the meaning of IAS 40) and interest expenses. This will result, all other things being equal, in an improvement in Adjusted EBITDA Total, EBITDA IFRS and an increase in the cash flow from operating activities. The cash flow from financing activities will be burdened due to the unwinding of discounting for the lease liabilities.

The application of IFRS 16 is not expected to have any impact on Vonovia's ability to adhere to the financial covenants that are relevant to it.

As far as lessors are concerned, the accounting model that IFRS 16 provides for does not differ significantly from the requirements set out in IAS 17. As a result, no significant changes are expected for leases in which the Vonovia Group is the lessor. Rental income still falls within the scope of the accounting standard for leases (as of January 1, 2019: IFRS 16). IFRS 16 distinguishes not only between separate lease components, but also between other services (non-lease components, covered by IFRS 15) and other components of the contract that do not result in the lessor providing a service. The condition for identifying a separate non-lease component is the lessor's obligation to provide a service pursuant to the contract (IFRS 16.B33). This means that the income from land tax and buildings insurance, as types of ancillary costs, fall within the scope of IFRS 16 (previously: IAS 17), as the tenants do not receive any additional service in return.

Notes to the Consolidated Income Statement

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

7 Income from Property Management

in € million	2017	2018
Rental income	1,672.1	1,897.8
Ancillary costs	671.9	750.1
Income from property letting	2,344.0	2,647.9
Other income from property management	47.6	60.3
	2,391.6	**2,708.2**

8 Profit on Disposal of Properties

in € million	2017	2018
Income from disposal of investment properties	466.9	761.4
Carrying amount of investment properties sold	-396.5	-597.6
Profit on disposal of investment properties	70.4	163.8
Income from sale of assets held for sale	739.5	336.1
Retirement carrying amount of assets held for sale	-739.5	-336.1
Revaluation of assets held for sale	81.1	68.5
Profit on disposal of assets held for sale	81.1	68.5
	151.5	**232.3**

The fair value adjustment of investment properties held for sale, for which a purchase contract had been signed but for which transfer of title had not yet taken place, led to a gain of € 68.5 million as of December 31, 2018 (2017: € 81.1 million).

9 Profit on Disposal of Real Estate Inventories (Development)

Income from the disposal of real estate inventories (Development) in the amount of € 225.1 million (2017: € 0.0 million) comprises € 167.0 million (2017: € 0.0 million) in income from the disposal of real estate inventories recognized over time together with € 58.1 million (2017: € 0.0 million) income from the disposal of real estate inventories recognized at a point in time. As of the reporting date, contract assets of € 112.5 million (2017: € 0.00 million) are recognized within trade receivables in connection with the period-related revenue recognition.

A transaction price of € 59.4 million (2017: € 0.0 million) has been allocated to the remaining performance obligations that had not yet been satisfied (in full) at the end of the current reporting period. These amounts are expected to be recognized, affecting net income, within the next two fiscal years, with an amount of € 57.1 million attributable to 2019 and an amount of € 2.3 million to 2020.

10 Net Income from Fair Value Adjustments of Investment Properties

Investment properties are measured by the in-house valuation department according to the fair value model. Any gains or losses from a change in fair value are recognized in the income statement. The measurement of the investment properties led to a net valuation gain during the 2018 fiscal year of € 3,517.9 million (2017: € 3,434.1 million). The high valuation result for 2018 is mainly due, in addition to the investment activity and strong development of Vonovia's operating business, to the dynamic market conditions for residential properties at the moment. These are reflected both in rental price developments and, in particular, also in an increase in real estate purchase prices triggered, among other things, by yield compression on the demand side.

11 Capitalized Internal Expenses

Capitalized internal expenses in the fiscal year amount to € 608,2 million (2017: € 458,1 million) and mainly relate to the expenses of the Group's own craftsmen's organization contained in the capitalized modernization costs as well as the management costs for major modernization projects.

12 Cost of Materials

in € million	2017	2018
Expenses for ancillary costs	625.6	702.9
Expenses for maintenance and modernization	446.8	572.3
Other cost of purchased goods and services	104.0	105.8
	1,176.4	**1,381.0**

13 Personnel Expenses

in € million	2017	2018
Wages and salaries	342.1	423.3
Social security, pensions and other employee benefits	73.9	89.8
	416.0	**513.1**

The personnel expenses include expenses for severance payments in the amount of € 6.8 million (2017: € 10.3 million), allocations to the provisions for pre-retirement part-time work arrangements in the amount of € 3.0 million (2017: € 6.0 million) and expenses for the long-term incentive plan (LTIP) at € 7.2 million (2017: € 12.0 million) (see Chapter [33] Provisions).

In the fiscal year under review, employers' contributions to statutory pension insurance amounted to € 33.2 million (2017: € 28.9 million).

As of December 31, 2018, Vonovia had 9,923 employees (Dec. 31, 2017: 8,448), with the annual average coming to 9,757 employees (2017: 8,300). Vonovia also employed 485 trainees as of December 31, 2018 (Dec. 31, 2017: 462).

14 Depreciation and Amortization

With regard to developments in depreciation, amortization and impairment, we refer to the information set out in notes [21] Intangible Assets and [22] Property, Plant and Equipment.

15 Other Operating Income

in € million	2017	2018
Compensation paid by insurance companies	35.4	49.5
Reversal of provisions	15.9	27.6
Compensation for damages and cost reimbursements	9.6	10.7
Dunning and debt collection fees	7.0	7.4
Reversal of impairment losses	3.0	3.7
Miscellaneous	39.8	33.3
	110.7	**132.2**

16 Other Operating Expenses

in € million	2017	2018
Consultants' and auditors' fees	58.5	80.1
Vehicle and traveling costs	41.1	42.2
Rents, leases and ground rents	22.0	28.8
Communication costs and work equipment	16.0	24.7
Additions to provisions	22.4	10.8
Administrative services	15.6	10.8
Advertising costs	8.1	10.8
Insured losses	3.2	5.0
Dunning and debt collection fees	5.6	4.8
Non-capitalizable expenses from real estate development	–	3.8
Costs of sale associated with real estate inventories	–	3.1
Sales incidentals	4.4	2.8
Legal and notary costs	6.5	2.3
Impairment losses	1.6	1.8
Miscellaneous	41.8	68.2
	246.8	**300.0**

17 Financial Income

in € million	2017	2018
Income from other investments	20.1	23.1
Income from non-current securities and non-current loans	1.6	2.2
Other interest and similar income	25.1	6.8
	46.8	**32.1**

The income from other investments comprises financial income from investments in other real estate companies in the amount of € 14.0 million (2017: € 13.0 million) and also € 7.6 million (2017: € 6.3 million) in financial income from the collection of the profit share in AVW GmbH & Co. KG, Hamburg, for the previous fiscal year in each case.

18 Financial Expenses

The financial expenses mainly relate to interest expense on financial liabilities measured at amortized cost as well as transaction costs and prepayment penalties for financing measures.

in € million	2017	2018
Interest expense from non-derivative financial liabilities	299.0	350.9
Swaps (current interest expense for the period)	5.3	15.4
Effects from the valuation of non-derivative financial instruments	-8.8	14.9
Effects from the valuation of swaps	9.9	15.3
Transaction costs	7.9	14.2
Prepayment penalties and commitment interest	16.4	8.4
Interest expenses purchase price liabilities from put options/ rights to reimbursement	8.4	2.2
Interest accretion to provisions	9.2	9.1
Other financial expenses	5.7	18.7
	353.0	**449.1**

The prepayment penalties include the fees for the unscheduled repayment of loans during the fixed interest period.

A reconciliation of net interest to net interest to be classified in accordance with IFRS 9 is shown in the following table:

in € million	2017	2018
Interest income	25.1	6.8
Interest expense	-353.0	-449.1
Net interest	-327.9	-442.3
Less:		
Net interest from provisions for pensions in acc. with IAS 19	8.7	8.6
Net interest from other provisions in acc. with IAS 37	0.3	0.5
Net interest from finance leases in acc. with IAS 17	5.6	5.6
Net interest to be classified	**-313.3**	**-427.6**

The net interest classified pursuant to IFRS 9 is as follows:

in € million	2017	2018
Financial assets measured at (amortized) cost	2.5	3.5
Derivatives measured at FV through P&L	-1.3	-29.7
Financial liabilities measured at (amortized) cost	-314.5	-401.4
Classification of net interest	**-313.3**	**-427.6**

19 Income Taxes

in € million	2017	2018
Current income tax	35.1	75.1
Prior-year current income tax	3.1	-15.2
Deferred tax – temporary differences	1,449.3	1,436.8
Deferred tax – unutilized loss carryforwards	-47.0	-25.2
	1,440.5	**1,471.5**

The current tax expense is determined on the basis of the taxable income for the fiscal year. For the 2018 fiscal year, the combined tax rate of corporate income tax and solidarity surcharge for domestic companies is 15.8% (2017: 15.8%). Including trade tax at a rate of about 17.3% (2017: 17.3%), the combined domestic tax rate is 33.1% in 2018 (2017: 33.1%). The corporate income tax rate for the companies based in

Austria is 25.0% (2017: 25.0%), while the rate for companies based in Sweden is 22.0%. The income generated by Vonovia Finance B. V. is subject to Dutch tax law; current taxes of € 3.1 million were incurred there (2017: € 2.3 million). The other companies that hold properties and are based in the Netherlands have limited corporation tax liability in Germany. These companies, together with the other foreign companies, pay tax that is of a negligible amount from the Group's perspective in the countries in which they are domiciled.

Anticipated effects of the so-called extended trade tax exemption on trade tax are taken into account when the deferred taxes are determined. Due to the discontinuation of the extended trade tax exemption due to sales, triggering commercial real estate trading at four BUWOG companies, deferred tax liabilities are also subject to trade tax there, unlike in the previous year. This effect causes a deferred tax expense of € 29.5 million.

For domestic deductible temporary differences (excl. loss carryforwards) in the amount of € 15.2 million (Dec. 31, 2017: € 18.4 million), no deferred corporate income taxes or deferred trade taxes were recognized, because they are not likely to be used in the future. For Austrian and Swedish deductible differences (excl. loss carryforwards) in the amount of € 0.0 million (Dec. 31, 2017: € 15.8 million), no deferred corporate income taxes were recognized as a result.

As of December 31, 2018, there were domestic corporate income tax loss carryforwards amounting to € 3,949.5 million (Dec. 31, 2017: € 3,840.8 million), as well as trade tax loss carryforwards amounting to € 2,122.5 million (Dec. 31, 2017: € 2,040.1 million), for which deferred tax assets have been recognized to the extent that their realization is sufficiently probable. As of December 31, 2018, there were corporate income tax loss carryforwards in Austria and Sweden amounting to € 245.0 million (Dec. 31, 2017: € 165.4 million) and € 108.1 million (Dec. 31, 2017: € 0.0 million) respectively for which deferred tax assets have also been recognized to the extent that their realization is sufficiently probable. The increase in tax loss carryforwards resulted from current tax losses at individual companies and from the business combinations with the BUWOG and the Victoria Park Group.

No deferred taxes were recognized in the balance sheet for domestic and foreign corporate income tax loss carryforwards amounting to € 1,010.1 million (Dec. 31, 2017: € 968.4 million). Of this amount, € 30.6 million arose for the first time in the 2018 fiscal year (2017: € 29.0 million). Under current tax law, these loss carryforwards are not subject to restrictions either with regard to time or the amount of the loss carryforward. The fact that no deferred tax assets were recognized on the new corporate income tax loss carryforwards results in a tax effect of € 5.4 million (2017: € 4.6 million). In addition, there are further trade tax loss carryforwards subject to no restrictions with regard to how they can be carried forward in the amount of € 660.6 million in total (Dec. 31, 2017: € 623.2 million). These did not give rise to any deferred tax assets. Of this amount, € 29.4 million arose for the first time in the 2018 fiscal year (2017: € 25.0 million) and the resulting tax effect is € 4.6 million (2017: € 4.3 million).

The remeasurement of deferred tax assets on temporary differences and loss carryforwards from the previous year led to tax income amounting to € 10.0 million in the 2018 fiscal year (2017: € 27.7 million).

Deferred taxes on interest carryforwards are recognized if the interest carryforward is likely to be able to be used in the future. Due to the Group's capital structure, no interest carryforwards are likely to be able to be used in the future. As a result, no deferred tax assets have been recognized on interest carryforwards in the amount of € 820.2 million (Dec. 31, 2017: € 675.5 million). In the 2018 fiscal year, non-deductible interest increased the interest carryforward by € 144.7 million (2017: € 104.6 million). The fact that no deferred tax assets were recognized on the new interest carryforward generated a tax effect of € 47.9 million (2017: € 34.6 million).

A reconciliation between actual income taxes and expected tax expense, which is the product of the accounting profit for the period multiplied by the average tax rate applicable in Germany, is shown in the table below.

in € million	2017	2018
Earnings before tax	4,007.4	3,874.4
Income tax rate in %	33.1	33.1
Expected tax expense	1,326.4	1,282.4
Trade tax effects	-16.0	-7.6
Non-deductible operating expenses	23.5	18.4
Tax-free income	-19.0	-19.8
Change in the deferred tax assets on loss carryforwards and temporary differences	-27.7	-10.0
New loss and interest carryforwards not recognized	43.5	57.8
Prior year current income tax and taxes on guaranteed dividends	7.4	-10.8
Tax effect goodwill impairment	111.7	225.5
Differing foreign tax rates	-15.4	-30.8
Other tax effects (net)	6.1	-33.6
Effective income taxes	**1,440.5**	**1,471.5**
Effective income tax rate in %	**35.9**	**38.0**

The deferred taxes refer to temporary differences in balance sheet items and unutilized loss carryforwards as follows:

in € million	Dec. 31, 2017	Dec. 31, 2018
Intangible assets	2.9	3.6
Investment properties	8.9	4.3
Assets held for sale	0.9	0.6
Property, plant and equipment	0.4	1.3
Financial assets	5.4	8.7
Other assets	52.2	89.0
Provisions for pensions	82.2	82.6
Other provisions	11.9	17.5
Liabilities	100.3	183.1
Loss carryforwards	731.8	789.5
Deferred tax assets	**996.9**	**1,180.2**

in € million	Dec. 31, 2017	Dec. 31, 2018
Intangible assets	5.0	22.4
Investment properties	6,171.6	8,165.1
Assets held for sale	23.9	16.2
Property, plant and equipment	6.9	11.1
Financial assets	0.0	0.0
Other assets	12.6	41.2
Other provisions	52.0	54.9
Liabilities	37.2	47.1
Deferred tax liabilities	**6,309.2**	**8,358.0**
Excess deferred tax liabilities	**5,312.3**	**7,177.8**

Deferred tax assets and liabilities are netted against each other when the same company and the same tax authority are involved and the realization period is the same. As a result, the following deferred tax assets and liabilities are stated:

in € million	Dec. 31, 2017	Dec. 31, 2018
Deferred tax assets	10.3	54.1
Deferred tax liabilities	5,322.6	7,231.9
Excess deferred tax liabilities	**5,312.3**	**7,177.8**

The increase in deferred tax assets is mainly due to deferred taxes on loss carryforwards of the Swedish companies that were not netted, while the increase in deferred tax liabilities is primarily attributable to investment properties.

The change in deferred taxes is as follows:

in € million	2017	2018
Excess deferred tax liabilities as of Jan. 1	3,749.9	5,312.3
Deferred tax expense in income statement	1,402.3	1,411.7
Deferred tax due to first-time consolidation	149.1	459.0
Change recognized in other comprehensive income in deferred taxes due to equity instruments measured at fair value	2.4	0.9
Change recognized in other comprehensive income in deferred taxes on actuarial gains and losses from pensions and similar obligations	1.8	-2.7
Change recognized in other comprehensive income in deferred taxes on derivative financial instruments	7.4	-2.0
Deferred taxes recognized in equity on accrued capital procurement costs resulting from the issuance of a hybrid bond with an indefinite term	-0.2	-0.5
Deferred taxes recognized in the capital reserve on capital procurement costs of capital increases	–	-3.6
Currency translation differences	–	2.4
Other	-0.4	0.3
Excess deferred tax liabilities as of Dec. 31	**5,312.3**	**7,177.8**

No deferred tax liabilities are recognized for profits accumulated at subsidiaries of € 22,416.7 million (Dec. 31, 2017: € 15,108.4 million), as these profits are to remain invested for an indefinite period or are not subject to taxation. In the event of distribution or disposal of the subsidiaries, 5% of the distributed amounts or the capital gains would be subject to German taxation so that there would normally be an additional tax obligation.

20 Earnings per Share

The earnings per share are calculated by dividing the profit for the period attributable to the shareholders by the weighted average number of ordinary shares in circulation during the reporting period.

	2017	2018
Profit for the period attributable to Vonovia shareholders (in € million)	2,410.7	2,266.5
Weighted average number of shares	476,462,903	505,720,971
Earnings per share (basic and diluted) in €	**5.06**	**4.48**

At the end of the reporting period, no diluting financial instruments were in circulation. The basic earnings per share correspond to the diluted earnings per share.

21 Intangible Assets

in € million	Concessions, industrial property rights, licenses and similar rights	Self-developed software	Customer relationships and non-competition clause	Trademark rights	Goodwill	Total
Cost						
As of Jan. 1, 2018	37.3	6.5	12.1	–	2,950.8	3,006.7
Additions due to business combinations	19.6	–	–	66.6	906.4	992.6
Additions	17.5	1.0	–	–	–	18.5
Disposals	-9.6	-0.8	-3.6	–	–	-14.0
Changes in value from currency translation	–	–	–	–	3.7	3.7
Transfers	3.5	–	–	–	–	3.5
As of Dec. 31, 2018	68.3	6.7	8.5	66.6	3,860.9	4,011.0
Accumulated amortization						
As of Jan. 1, 2018	23.7	3.3	5.3	–	337.3	369.6
Additions due to business combinations	9.1	–	–	–	–	9.1
Amortization in reporting year	15.7	2.4	1.1	–	–	19.2
Impairment	–	–	–	–	681.2	681.2
Disposals	-9.3	-0.8	-3.6	–	–	-13.7
Transfers	2.4	–	–	–	–	2.4
As of Dec. 31, 2018	41.6	4.9	2.8	–	1,018.5	1,067.8
Carrying amounts						
As of Dec. 31, 2018	26.7	1.8	5.7	66.6	2,842.4	2,943.2
Cost						
As of Jan. 1, 2017	31.2	4.7	12.1	–	2,718.9	2,766.9
Additions due to business combinations	8.2	–	–	–	231.9	240.1
Additions	7.6	1.8	–	–	–	9.4
Disposals	-9.7	–	–	–	–	-9.7
As of Dec. 31, 2017	37.3	6.5	12.1	–	2,950.8	3,006.7
Accumulated amortization						
As of Jan. 1, 2017	19.8	1.6	2.4	–	–	23.8
Additions due to business combinations	4.7	–	–	–	–	4.7
Amortization in reporting year	8.9	1.7	2.9	–	–	13.5
Impairment	–	–	–	–	337.3	337.3
Disposals	-9.7	–	–	–	–	-9.7
As of Dec. 31, 2017	23.7	3.3	5.3	–	337.3	369.6
Carrying amounts						
As of Dec. 31, 2017	13.6	3.2	6.8	–	2,613.5	2,637.1

Customer relationships and similar values

The brand name “BUWOG Group” for the development business was identified within the framework of the purchase price allocation for BUWOG as a material asset with indefinite useful life and recognized at a value of € 66.6 million.

Goodwill

Goodwill came to € 2,842.4 million as of December 31, 2018. Compared with December 31, 2017, goodwill has increased by € 228.9 million. The change is due, first, to an increase resulting from the acquisition of BUWOG in 2018 in the amount of € 713.6 million, the addition from the Victoria Park acquisition and associated currency effects of € 196.5 million in total. Second, the € 3,517.9 million increase in the value of the real estate portfolio in the 2018 fiscal year increased the carrying amount of the groups of cash-generating units (regions) affected by the valuation, which in turn led to impairment losses being recognized on the goodwill allocated to the regions in the amount of € 681.2 million.

The allocation of goodwill to the regional business areas and to the Value-add and Development segments was performed based on the two indicators that reflect the synergy effects expected to be generated as a result of the business combination: “direct planned synergies” and “fair values.”

In the fourth quarter, the mandatory annual impairment test was performed. As part of the impairment test and in accordance with IAS 36.19, first the value in use was calculated based on the Management Board-approved detailed plan with a planning period of five years. This was derived from the five-year plan at Group level approved by the Management Board and the Supervisory Board. With regard to the regional business areas of the Rental segment, the main drivers behind the results of the five-year plan are the increase in gross rental income by an average of 4.0% every year, as well as the planned vacancy rate on the level of 2018 at the end of the detailled planning period.

Developments in the Value-add segment are characterized primarily by the extension of existing business areas (craftsmen’s organization, multimedia, management of residential property, smart metering, etc.). On the other hand, there is an increase in operating expenses, taking into account the rate of inflation. The development in these values is in line with past experiences of business model development. The cash flows from the last detailed planning year were derived to calculate the perpetual annuity.

For the Development segment, which is still being set up, a six-year plan was derived from the five-year plan approved by the Management Board and the Supervisory Board at Group level to reflect a “steady state.” The main drivers of the results in the Development segment are the investment costs, the number of units sold and the sales margin that can be generated.

The growth rate for the CGUs of the rental segment was calculated regionally on the basis of actual rents and limited to 1% for the segment as a whole. A constant growth rate of 1% was assumed for the Value-add and Development segments.

The main parameters for calculating the value in use are the sustainable growth rate, the weighted average cost of capital (WACC) and the expected cash flows.

The weighted average cost of capital before tax is based on the risk-free interest rate calculated as a three-month average using the Svensson method, a market risk premium and a levered beta. The levered beta and the equity ratios used are determined on the basis of a peer comparison. In addition, country-specific cost surcharges were calculated for the Austria business area, the Sweden business area and the Development business area. The main parameters are shown in the following table:

Dec. 31, 2018	Rental Germany	Rental Austria	Rental Sweden	Value-add	Development
Risk-free interest rate in %	1.1	1.1	1.1	1.1	1.1
Market risk premium in %	7.0	7.0	7.0	7.0	7.0
Levered beta	0.53	0.53	0.53	0.53	0.91
Country-specific premium in %	–	0.2	0.2	–	0.1

Dec. 31, 2017	Rental Germany	Rental Austria	Rental Sweden	Value-add	Development
Risk-free interest rate in %	1.3	–	–	1.3	–
Market risk premium in %	6.8	–	–	6.8	–
Levered beta	0.54	–	–	0.54	–
Country-specific premium in %	–	–	–	–	–

Groups of Cash-generating Units

	Segment Rental											
in € million	North area	East area	South-east area	West area	Middle area	South area	Central area	Austria Business Area	Sweden Business Area	Segment Value-add	Segment Develop-ment	Group
Goodwill 2017	521.0	–	370.0	576.0	432.3	488.3	13.8	–	–	212.1	–	2,613.5
Additions due to business combinations	111.8	75.3	70.6	104.8	69.0	72.5	5.4	31.6	196.6	66.4	106.1	910.1
Disposal due to depreciation	-299.3	-75.3	-5.0	–	–	-270.0	–	-31.6	–	–	–	-681.2
Goodwill 2018	333.5	–	435.6	680.8	501.3	290.8	19.2	–	196.6	278.5	106.1	2,842.4
WACC before tax 2018 in %	4.5	4.5	4.6	4.6	4.6	4.5	4.5	4.5	4.7	5.1	6.6	–
WACC before tax 2017 in %	4.5	4.5	4.5	4.6	4.5	4.5	4.5	n. a.	n. a.	4.7	n. a.	–
Sustainable rate of increase 2018 in %	1.0	1.1	1.0	0.8	1.1	1.1	1.0	1.0	1.0	1.0	1.0	1.0
Sustainable rate of increase 2017 in %	1.0	1.1	1.0	0.8	1.0	1.1	0.9	n. a.	n. a.	1.0	n. a.	1.0

The results of the assessment confirm the value of the goodwill for the areas West, Central, Development, Sweden and the Value-add segment. Any need for impairment of € 681.2 million was calculated for the North, East, Southeast, South and Austria business areas. In these regions, the further increase in property values due to noticeable yield compression resulted in carrying amounts for the relevant group of CGUs that exceed the recoverable amount.

The impairment loss was recognized in the consolidated income statement under "depreciation and amortization." The value in use for the North area amounts to € 6.4 billion, with a value of € 4.9 billion for the East area, € 3.7 billion for the Southeast area, € 6.1 billion for the South area and € 1.9 billion for the Austria area.

An increase in the cost of capital will result in the following need for impairment:

	Segment Rental								
	North area	Southeast area	West area	Middle area	South area	Central area	Sweden area	Segment Value-add	Segment Develop-ment
Goodwill 2018 in € million	333.5	435.6	680.8	501.3	290.8	19.2	196.6	278.5	106.1
Amortization in € million based on an increase in WACC by 0.1%	259.6	155.8	–	225.6	257.5	–	–	–	–
Inpairment starts with an increase of the WACC in percentage points	–	–	0.2	–	–	0.6	0.3	8.4	1.6
Full write-off in the event of an increase in the WACC in %	0.2	0.3	0.6	0.3	0.2	0.8	0.7	20.4	2.4

Any negative deviation of the values planned for the key assumptions would lead to a further impairment in the North, South and Southeast business areas. If the planned sustainable growth rate were to decline by 0.25 percentage points, the goodwill remaining would be written off entirely in the North, Central and South business areas, while impairment losses of up to € 350 million would be incurred in the Southeast business area.

22 Property, Plant and Equipment

in € million	Owner-occupied properties	Technical equipment, plant and machinery	Other equipment, fixtures, furniture and office equipment	Total
Cost				
As of Jan. 1, 2018	104.5	43.1	77.4	225.0
Additions due to business combinations	21.3	0.1	5.4	26.8
Additions	22.4	3.0	66.2	91.6
Capitalized modernization costs	1.6	–	–	1.6
Disposals	-1.8	-0.2	-19.8	-21.8
Transfer from investment properties	6.5	–	–	6.5
Transfer to investment properties	-10.7	–	–	-10.7
Other transfers	–	–	1.1	1.1
As of Dec. 31, 2018	143.8	46.0	130.3	320.1
Accumulated depreciation				
As of Jan. 1, 2018	5.0	14.8	27.6	47.4
Additions due to business combinations	0.2	–	3.4	3.6
Depreciation in reporting year	2.2	6.0	29.5	37.7
Reversal of impairments	-0.5	–	–	-0.5
Disposals	-0.6	-0.2	-18.9	-19.7
Other transfers	–	–	1.2	1.2
As of Dec. 31, 2018	6.3	20.6	42.8	69.7
Carrying amounts				
As of Dec. 31, 2018	137.5	25.4	87.5	250.4
Cost				
As of Jan. 1, 2017	70.6	36.5	46.9	154.0
Additions due to business combinations	–	0.2	2.9	3.1
Additions	40.2	7.1	39.2	86.5
Capitalized modernization costs	1.1	–	–	1.1
Disposals	-2.3	-0.7	-11.6	-14.6
Transfer from investment properties	12.9	–	–	12.9
Transfer to investment properties	-18.0	–	–	-18.0
As of Dec. 31, 2017	104.5	43.1	77.4	225.0
Accumulated depreciation				
As of Jan. 1, 2017	6.1	9.7	22.5	38.3
Additions due to business combinations	–	0.1	1.8	1.9
Depreciation in reporting year	0.7	5.7	14.3	20.7
Impairment	0.7	–	–	0.7
Reversal of impairments	-0.6	–	–	-0.6
Disposals	-1.9	-0.7	-11.0	-13.6
As of Dec. 31, 2017	5.0	14.8	27.6	47.4
Carrying amounts				
As of Dec. 31, 2017	99.5	28.3	49.8	177.6

As of December 31, 2018, the item "Owner-occupied properties" includes € 63.3 million (Dec. 31, 2017: € 49.2 million) which mainly consists of production costs for the construction of the new Vonovia headquarters.

Furthermore, carrying amounts of owner-occupied properties amounting to € 35.1 million as of December 31, 2018 (Dec. 31, 2017: € 18.0 million), are encumbered with land charges in favor of various lenders.

23 Investment Properties

in € million	
As of Jan. 1, 2018	33,182.8
Additions due to business combinations	6,214.7
Additions	365.8
Capitalized modernization costs	1,006.0
Grants received	-2.6
Transfer from property, plant and equipment	10.7
Transfer to property, plant and equipment	-6.5
Transfer from assets held for sale	24.4
Transfer to assets held for sale	-323.9
Disposals	-597.6
Disposals due to changes in scope of consolidation	-2.3
Net income from fair value adjustments of investment properties	3,517.9
Revaluation of assets held for sale	68.5
Revaluation from currency effects	33.0
As of Dec. 31, 2018	**43,490.9**
As of Jan. 1, 2017	26,980.3
Additions due to business combinations	2,469.6
Additions	307.2
Capitalized modernization costs	771.8
Grants received	-0.6
Transfer from property, plant and equipment	18.0
Transfer to property, plant and equipment	-12.9
Transfer from assets held for sale	2.5
Transfer to assets held for sale	-471.4
Disposals	-396.5
Net income from fair value adjustments of investment properties	3,434.1
Revaluation of assets held for sale	81.1
Revaluation from currency effects	-0.4
As of Dec. 31, 2017	**33,182.8**

The additions in 2018 include € 86.9 million (Dec.31, 2017: € 65.7 million) in production costs for new construction activities.

In the amount of € 71.0 million (Dec. 31, 2017: € 59.9 million), the investment properties contain leased assets that are defined as finance leases according to IAS 17 and are treated as if they were the Group's economic property. These relate to the Spree-Bellevue (Spree-Schlange) property in Berlin. The property has been leased from DB Immobilienfonds 11 Spree-Schlange von Quistorp KG until 2044. The lease agreement includes an obligation to pay compensation for loss of use as agreed by contract. At the end of 2028, each fund subscriber is entitled to return his share to the property fund at a fixed redemption price. If all of the fund investors make use of this option, Vonovia is obliged to acquire the property at a fixed purchase price after deduction of borrowings. If more than 75% of the shares are returned in this way, Vonovia has a call option for the purchase of all fund shares. Details of minimum lease payments are given under note [37] Non-derivative Financial Liabilities.

For the investment properties encumbered with land charges in favor of various lenders, see note [35] Non-derivative Financial Liabilities.

Directly Attributable Operating Expenses

Rental income from investment properties amounted to € 1,897.8 million during the fiscal year (2017: € 1,672.1 million). Operating expenses directly relating to these properties amounted to € 195.1 million during the fiscal year (2017: € 200.8 million). These include expenses for maintenance, ancillary costs that cannot be passed on to the tenants, personnel expenses from the caretaker and craftsmen's organizations, and income from the capitalized internal expenses. The capitalized internal expenses relate to the work performed by the Group's own craftsmen's organization and the management costs for major modernization projects.

Long-term Leases

Vonovia as a lessor has concluded long-term leases on commercial properties. These are non-cancelable operating leases. The minimum future lease receipts from these leases are due as follows:

in € million	Dec. 31, 2017	Dec. 31, 2018
Total minimum lease payments	82.2	82.1
Due within 1 year	26.0	25.8
Due in 1 to 5 years	50.7	50.7
Due after 5 years	5.5	5.6

Fair Values

The value of the entire portfolio of residential properties was determined on the basis of the International Valuation Standard Committee's definition of market value. Portfolio premiums and discounts, which can be observed when portfolios are sold in market transactions, were not included. Nor were time restrictions in the marketing of individual properties. Vonovia determines fair value in accordance with the requirements of IAS 40 in conjunction with IFRS 13.

Vonovia, in principle, measures its portfolio on the basis of the discounted cash flow (DCF) procedure. Under the DCF methodology, the expected future income and costs of a property are forecast over a period of ten years and discounted to the date of valuation as the net present value. The income mainly comprises expected rental income (current in-place rent, market rents as well as their development) taking vacancy losses into account. These are derived for each location from the latest rent indices and rent tables (empirica and IVD), as well as from studies on spatial prosperity (Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR), Prognos, empirica, Bertelsmannstiftung, etc.).

On the cost side, maintenance expenses and administrative costs are taken into account in accordance with the II. Berechnungsverordnung and inflated in the reporting period (II. BV; German Regulation on Calculations for Residential Buildings in accordance with the Second Housing Construction Law, stipulating how economic viability calculations for accommodation are to be performed). Further cost items are, for example, ground rents, non-allocable ancillary costs and rent losses. Modernization measures carried out in the housing stocks are factored in by decreasing the current maintenance expenses and adjusting market rents.

On this basis, the forecast cash flows are calculated on an annual basis and discounted to the date of valuation as the net present value. In addition, the terminal value of the property at the end of the ten-year period is determined using the expected stabilized net operating income and again discounted to the date of valuation as the net present value. The discount rate applied reflects the market situation, location, type of property, special property features (e.g. inheritable building rights, rent restrictions), the yield expectations of a potential investor and the risk associated with the forecast future cash flows of the property. The present value calculated in this way is reconciled to the market value by deducting standard market transaction costs, such as real estate transfer taxes, agent and notary costs.

The commercial properties in the portfolio are mainly small commercial units for the supply of the local residential area. Different cost approaches were used to those for residential properties, and discount rates were adjusted to reflect the market specifics.

The valuation is, in principle, performed on the basis of homogeneous valuation units. These meet the criteria of economically cohesive and comparable land and buildings. They include:

> Geographical location (identity of the microlocation and geographical proximity)
> Comparable types of use, building class, construction year class and condition of property
> Same property features such as rent restrictions, inheritable building rights and full or part ownership

The Vonovia portfolio also contains project developments, development areas and land areas with inheritable building rights. Project developments are measured at the capitalized construction costs until the construction work is complete. If the project is then to be managed within Vonovia's own portfolio, it is measured at fair value using the DCF procedure described above. Development areas are valued using a comparable method on the basis of the local standard land value evaluated. Deductions are taken into account in particular for the readiness for construction and potential use as well as for likelihood of development and the development situation. Inheritable building rights granted are valued in the same way as the property portfolio using a DCF method. The input parameters here are the duration and amount of ground rent and the value of the land.

Vonovia determined the fair values of Vonovia's real estate portfolio in Germany (excl. the BUWOG German subportfolios) as of December 31, 2018, in its in-house valuation department on the basis of the methodology described above. The property assets are also assessed by the independent property appraiser CBRE GmbH. The contractually fixed remuneration for the valuation report is not linked to the valuation results. The market value resulting from the external review deviates from the internal valuation result by less than 0.1%.

As far as the portfolio of BUWOG and the portfolio of non-German real estate of conwert is concerned, the result of the valuation of the external appraiser CBRE GmbH was applied. For the portfolio of Victoria Park, the result of the external appraiser Savills Sweden AB in cooperation with Malmöbryggan Fastighetsekonomi AB was applied. The fair values of the BUWOG, conwert and Victoria Park portfolio were also calculated using a DCF procedure that is comparable to the procedure used by Vonovia explained above. In addition, the valuation of the BUWOG portfolio in Austria was based on the assumption of sales strategies for the recurring sales of apartments for a subportfolio. Attainable income was recognized in line with the calculation procedure and reported in the appropriate period in the DCF model. In order to take the sales potential into account, the DCF detailed period was extended to 80 years for the Austrian properties and no terminal value was used.

The real estate portfolio of Vonovia is to be found in the items investment properties, property, plant and equipment (owner-occupied properties), real estate inventories, contractual assets and assets held for sale. The fair value of the portfolio comprising residential buildings, commercial properties, garages and parking spaces, project developments, as well as undeveloped land and any inheritable building rights granted was € 44,239.9 million as of December 31, 2018 (Dec. 31, 2017: € 33,436.3 million). This corresponds to a net initial yield for the developed land of 3.4%* (December 31, 2017: 3.6%). For Germany, this results in an in-place-rent multiplier of 21.5 for the portfolio (Dec. 31, 2017: 19.7) and a fair value per m² of € 1,677 (Dec. 31, 2017: € 1,475). For the portfolio in Austria, the in-place-rent multiplier and fair value is 23.6 and € 1,346 per m²; for Sweden it is 14.6 and € 1,563 per m².

* Overall portfolio including Austria and Sweden.

The material valuation parameters for the investment properties (level 3) in the real estate portfolio are as follows as of December 31, 2018, broken down by regional markets:

Dec. 31, 2018	Valuation results*			
Regional market	Fair value (in € million)	thereof Assets held for sale (in € million)	thereof Owner-occupied properties (in € million)	thereof Investment properties (in € million)
Berlin	6,535.9	2.5	5.4	6,527.9
Rhine Main Area	3,949.6	20.9	6.3	3,922.4
Rhineland	3,424.5	2.8	7.9	3,413.8
Southern Ruhr Area	3,354.0	5.4	4.2	3,344.3
Dresden	3,104.1	0.0	5.5	3,098.6
Hamburg	2,456.1	0.3	3.0	2,452.8
Munich	2,050.6	9.8	3.1	2,037.7
Stuttgart	1,935.6	4.8	1.8	1,929.0
Kiel	1,909.9	0.0	2.5	1,907.4
Hanover	1,622.7	0.4	1.8	1,620.5
Northern Ruhr Area	1,566.8	12.1	4.5	1,550.2
Bremen	1,071.2	0.0	2.6	1,068.6
Leipzig	867.6	0.1	1.0	866.5
Westphalia	783.2	0.0	1.1	782.1
Freiburg	602.4	0.2	2.0	600.2
Other strategic locations	2,604.6	6.1	3.9	2,594.7
Total strategic locations	**37,838.9**	**65.3**	**56.9**	**37,716.7**
Non-strategic locations	789.5	29.0	1.4	759.2
Vonovia Germany	**38,628.4**	**94.3**	**58.2**	**38,475.8**
Vonovia Austria**	2,517.0	0.0	0.0	2,517.0
Vonovia Sweden**	1,737.7	0.0	0.0	1,737.7

* Fair value of the developed land excluding € 1,356.8 million in development, undeveloped land, inheritable building rights granted and other, thereof € 760.4 million in investment properties.
** The valuation methods for the properties in Austria and Sweden provided only partially comparable valuation parameters. Administrative and maintenance expenses are not shown separately.

Valuation parameters investment properties (Level 3)						
Management costs residential (€ per residential unit p. a.)	Maintenance costs total residential (€ per m² p. a.)	Market rent residential (€ per m² per month)	Market rent increase residential	Stabilized vacancy rate residential	Discount rate total	Capitalized interest rate total
251	14.29	7.38	1.8%	1.3%	4.4%	2.7%
274	14.20	8.81	1.8%	1.2%	5.1%	3.5%
271	13.81	7.68	1.7%	2.0%	5.3%	3.8%
267	12.78	6.42	1.5%	2.5%	5.4%	4.1%
239	14.36	6.73	1.7%	2.0%	5.6%	4.2%
259	14.50	8.03	1.6%	1.4%	5.0%	3.6%
262	13.88	10.66	1.8%	0.6%	4.8%	3.1%
272	14.41	8.73	1.8%	1.3%	5.2%	3.5%
259	14.62	6.80	1.6%	1.7%	5.2%	3.9%
260	14.14	7.03	1.7%	2.0%	5.4%	3.9%
269	13.33	6.06	1.2%	3.4%	5.7%	4.8%
264	13.25	6.33	1.8%	2.1%	5.2%	3.6%
255	14.65	6.33	1.7%	3.6%	5.3%	3.8%
264	13.41	6.65	1.5%	1.8%	5.5%	4.2%
270	14.86	7.96	1.7%	0.9%	4.8%	3.2%
268	14.46	7.20	1.6%	2.3%	5.4%	4.0%
262	**13.98**	**7.29**	**1.7%**	**1.9%**	**5.2%**	**3.6%**
259	14.50	6.90	1.7%	2.8%	5.5%	3.9%
262	**13.99**	**7.28**	**1.7%**	**2.0%**	**5.2%**	**3.6%**
n.a.	n.a.	5.87	0.9%	n.a.	5.2%	n.a.
n.a.	n.a.	9.20	2.0%	0.7%	6.1%	4.2%

Dec. 31, 2017 Regional market	Valuation results*			
	Fair value (in € million)	thereof Assets held for sale (in € million)	thereof Owner-occupied properties (in € million)	thereof Investment properties (in € million)
Berlin	5,181.9	12.6	7.0	5,162.3
Rhine Main Area	3,525.1	3.2	5.7	3,516.2
Rhineland	3,240.3	2.2	7.6	3,230.5
Southern Ruhr Area	2,884.2	2.8	3.7	2,877.7
Dresden	2,875.2	0.0	5.1	2,870.1
Hamburg	1,940.1	2.5	2.9	1,934.7
Munich	1,820.2	6.6	2.4	1,811.2
Stuttgart	1,742.0	1.7	2.5	1,737.8
Northern Ruhr Area	1,417.5	2.3	3.8	1,411.5
Hanover	1,297.5	1.1	1.3	1,295.1
Kiel	992.3	4.5	2.8	985.1
Bremen	913.9	0.0	3.5	910.3
Leipzig	763.3	0.0	5.1	758.2
Westphalia	667.0	0.0	1.0	666.0
Freiburg	545.0	0.2	1.9	542.9
Other strategic locations	2,102.8	4.3	4.5	2,094.0
Total strategic locations	**31,908.2**	**44.0**	**60.8**	**31,803.5**
Non-strategic locations	645.1	68.9	1.0	575.2
Vonovia Germany	**32,553.3**	**112.9**	**61.7**	**32,378.6**
Vonovia Austria **	551.6	3.3	0	548.3

* Fair value of the developed land excluding € 331.4 million in development, undeveloped land, inheritable building rights granted, assets under construction and other, thereof € 255.9 million in investment properties.
** The gross rental method for the portfolio in Austria uses valuation parameters that are only partially comparable.

The inflation rate applied to the DCF procedure is 1.6%. Net income from the valuation of investment properties amounted to € 3,517.9 million in the 2018 fiscal year (Dec. 31, 2017: € 3,434.1 million). For the Austrian portfolio, a sales strategy with an average selling price of € 1,953 per m² was assumed for 49.4% of the properties.

Sensitivity Analyses

The sensitivity analyses performed on Vonovia's real estate portfolio show the impact of the value drivers influenced by the market. Those influenced in particular are the market rents and their development, the amount of recognized administrative and maintenance expenses, cost increases, the vacancy rate and interest rates. The effect of possible fluctuations in these parameters is shown separately for each parameter according to regional market in the following.

Interactions between the parameters are possible but cannot be quantified owing to the complexity of the interrelationships. The "vacancy" and "market rent" parameters, for example, can influence each other. If rising demand for housing is not met by adequate supply developments, then this can result in lower vacancy rates and, at the same time, rising market rents. If, however, the rising demand is compensated for by a high vacancy reserve in the location in question, then the market rent level does not necessarily change.

Changes in the demand for housing can also impact the risk associated with the expected payment flows, which is then reflected in adjusted amounts recognized for discounting and capitalized interest rates. The effects do not, however, necessarily have to have a favorable impact on each other, for example, if the changes in the demand for residential real estate are overshadowed by macroeconomic developments.

Valuation parameters investment properties (Level 3)						
Management costs residential (€per residential unit p. a.)	Maintenance costs total residential (€ per m² p. a.)	Market rent residential (€ per m² per month)	Market rent increase residential	Stabilized vacancy rate residential	Discount rate total	Capitalized interest rate total
251	14.02	6.98	1.5%	1.4%	4.3%	2.9%
271	14.05	8.43	1.4%	1.3%	5.1%	3.7%
267	13.58	7.52	1.3%	2.0%	5.3%	4.0%
263	12.96	6.18	1.1%	2.6%	5.5%	4.5%
236	14.59	6.47	1.3%	2.1%	5.4%	4.3%
257	14.22	7.76	1.3%	1.3%	4.9%	3.8%
258	13.79	10.69	1.5%	0.6%	4.9%	3.4%
269	14.21	8.41	1.4%	1.5%	5.2%	3.8%
266	13.31	5.79	0.9%	3.6%	5.8%	5.1%
256	13.89	6.70	1.3%	1.9%	5.3%	4.0%
255	14.39	6.37	1.2%	1.7%	5.3%	4.3%
259	13.28	6.09	1.3%	2.4%	5.1%	3.9%
252	14.34	6.16	1.4%	4.0%	5.3%	4.0%
259	13.44	6.17	1.2%	2.0%	5.5%	4.4%
266	14.36	7.72	1.4%	1.0%	4.8%	3.4%
267	13.82	6.96	1.2%	2.1%	5.3%	4.1%
259	**13.82**	**7.01**	**1.3%**	**2.0%**	**5.2%**	**3.8%**
269	13.43	5.51	1.0%	5.6%	5.7%	5.0%
259	**13.81**	**6.96**	**1.3%**	**2.1%**	**5.2%**	**3.9%**
n.a.	n.a.	9.15	n.a.	n.a.	n.a.	3.3%

In addition, factors other than demand can have an impact on these parameters. Examples include changes in the housing stock, in seller and buyer behavior, political decisions and developments on the capital market.

The table below shows the percentage impact on values in the event of a change in the valuation parameters. The absolute impact on values is calculated by multiplying the percentage impact by the fair value of the investment properties.

Dec. 31, 2018	Change in value as a percentage under varying parameters		
	Management costs residential	Maintenance costs residential	Cost increase/ inflation
Regional market	-10% / +10%	-10% / +10%	-0.5% / +0.5% points
Berlin	0.5 / -0.5	1.7 / -1.7	4.7 / -4.8
Rhine Main Area	0.5 / -0.5	1.5 / -1.5	2.9 / -3.0
Rhineland	0.5 / -0.5	1.8 / -1.8	3.4 / -3.6
Southern Ruhr Area	0.8 / -0.8	2.4 / -2.3	4.4 / -4.5
Dresden	0.7 / -0.7	2.1 / -2.1	3.9 / -4.0
Hamburg	0.6 / -0.6	1.8 / -1.8	3.4 / -3.5
Munich	0.4 / -0.4	1.2 / -1.2	3.4 / -3.5
Stuttgart	0.5 / -0.5	1.5 / -1.5	3.0 / -3.2
Kiel	0.8 / -0.8	2.1 / -2.1	2.7 / -2.9
Hanover	0.6 / -0.6	2.0 / -2.0	3.5 / -3.7
Northern Ruhr Area	1.0 / -1.0	2.8 / -2.8	4.4 / -4.6
Bremen	0.8 / -0.7	2.2 / -2.2	4.9 / -5.0
Leipzig	0.7 / -0.7	2.3 / -2.3	4.8 / -4.9
Westphalia	0.7 / -0.7	2.4 / -2.4	4.0 / -4.1
Freiburg	0.5 / -0.5	1.8 / -1.7	3.7 / -3.8
Other strategic locations	0.6 / -0.7	2.0 / -2.0	3.3 / -3.4
Total strategic locations	**0.6 / -0.6**	**2.1 / -2.0**	**3.0 / -3.1**
Non-strategic locations	0.6 / -0.6	1.9 / -1.9	3.8 / -3.9
Vonovia Germany	**0.6 / -0.6**	**1.9 / -1.9**	**3.8 / -3.9**
Vonovia Austria*	n. a.	n. a.	n. a.
Vonovia Sweden*	n. a.	n. a.	1.5 / -1.5

* The valuation methods for the portfolio in Austria and Sweden use valuation parameters that are only partially comparable. Administrative and maintenance expenses are not shown separately.

	Change in value as a percentage under varying parameters			
	Market rent residential	Market rent increase residential	Stabilized vacancy rate residential	Discounting and capitalized interest rates total
	-2.0% / +2.0%	-0.2% / +0.2% points	-1% / +1% point	-0.25% / +0.25% points
	-2.3 / 2.3	-8.7 / 10.4	1.7 / -1.7	10.6 / -8.8
	-2.3 / 2.3	-6.4 / 7.3	1.2 / -1.6	7.7 / -6.7
	-2.3 / 2.3	-6.3 / 7.1	1.7 / -1.8	7.3 / -6.4
	-2.4 / 2.5	-6.4 / 7.2	2.1 / -2.1	6.8 / -6.0
	-2.5 / 2.5	-6.1 / 6.9	1.9 / -1.9	6.8 / -6.0
	-2.1 / 2.1	-6.6 / 7.6	1.3 / -1.7	8.0 / -6.9
	-2.1 / 2.1	-7.4 / 8.7	0.8 / -1.5	9.5 / -8.0
	-2.2 / 2.2	-6.4 / 7.3	1.4 / -1.6	7.6 / -6.6
	-2.1 / 2.0	-5.8 / 6.6	1.8 / -1.8	6.9 / -6.1
	-2.3 / 2.2	-6.2 / 7.0	1.8 / -1.8	7.1 / -6.3
	-2.6 / 2.6	-5.7 / 6.3	2.3 / -2.3	5.6 / -5.1
	-2.3 / 2.3	-6.9 / 8.0	1.9 / -1.9	7.7 / -6.6
	-2.5 / 2.5	-6.8 / 7.8	2.0 / -2.0	7.5 / -6.5
	-2.3 / 2.3	-6.0 / 6.8	1.9 / -2.0	6.5 / -5.8
	-2.3 / 2.3	-7.2 / 8.5	1.3 / -1.7	8.6 / -7.3
	-2.2 / 2.2	-6.0 / 6.8	1.7 / -1.8	6.9 / -6.0
	-2.2 / 2.4	**-6.6 / 7.7**	**2.1 / -1.8**	**8.0 / -7.0**
	-2.3 / 2.3	-6.8 / 7.8	1.7 / -1.8	7.9 / -6.8
	-2.3 / 2.3	**-6.8 / 7.8**	**1.7 / -1.8**	**7.9 / -6.8**
	-0.1 / 0.1	n. a.	n. a.	4.2 / -3.8
	-3.0 / 3.0	-1.3 / 1.3	1.2 / -1.7	5.3 / -4.7

Dec. 31, 2017	Change in parameters		
	Management costs residential	Maintenance costs residential	Cost increase/inflation
Regional market	-10%/+10%	-10%/+10%	-0.5% / +0.5% points
Berlin	0.6/-0.6	2.1/-2.0	5.3/-5.4
Rhine Main Area	0.6/-0.5	1.7/-1.7	3.2/-3.3
Rhineland	0.6/-0.6	1.9/-1.9	3.5/-3.6
Southern Ruhr Area	0.9/-0.9	2.6/-2.6	4.4/-4.5
Dresden	0.8/-0.8	2.4/-2.4	4.2/-4.3
Hamburg	0.6/-0.6	2.0/-2.0	3.9/-4.0
Munich	0.4/-0.4	1.3/-1.3	3.3/-3.4
Stuttgart	0.5/-0.5	1.7/-1.7	3.3/-3.4
Northern Ruhr Area	1.1/-1.1	3.1/-3.1	4.7/-4.8
Hanover	0.7/-0.7	2.3/-2.3	4.1/-4.2
Kiel	0.9/-0.9	2.6/-2.6	4.4/-4.5
Bremen	0.9/-0.9	2.7/-2.7	5.4/-5.5
Leipzig	0.8/-0.8	2.5/-2.5	5.0/-5.0
Westphalia	0.9/-0.9	2.8/-2.8	4.6/-4.7
Freiburg	0.6/-0.6	1.9/-1.9	3.9/-4.0
Other strategic locations	0.7/-0.7	2.2/-2.2	3.8/-4.0
Total strategic locations	**0.7/-0.7**	**2.2/-2.1**	**4.2/-4.3**
Non-strategic locations	1.1/-1.1	3.4/-3.4	5.5/-5.5
Vonovia Germany	**0.7/-0.7**	**2.2/-2.2**	**4.2/-4.3**
Vonovia Austria *	n. a.	n. a.	n. a.

* The gross rental method for the portfolio in Austria uses valuation parameters that are only partially comparable.

Contractual Obligations

In connection with major acquisitions, Vonovia entered into contractual obligations or assumed such obligations indirectly via acquired companies, among other things in the form of Social Charters, which could limit its ability to freely sell parts of its portfolio, increase rents or terminate existing rent agreements for certain units and which, in the event of a breach, could give rise to substantial contractual penalties in some cases. Moreover, when acquiring and financing some of the properties in the portfolio, Vonovia also entered into an obligation to spend a certain average amount per square meter on maintenance and improvements.

After a certain period of time, these obligations often cease to apply either in full or in part. As of December 31, 2018, around 133,000 units in Vonovia's portfolio were subject to one or several contractual restrictions or other obligations.

> **Sale restrictions:** As of December 31, 2018, around 62,000 units were subject to sale restrictions (excl. occupancy rights). Around 18,000 of these units cannot be freely sold before a certain date. Sale restrictions like these include a full or partial ban on the sale of units and provisions requiring the consent of certain representatives of the original seller prior to sale.

> **Preemptive rights on preferential terms:** Around 7,000 units from the "Recurring Sales" subportfolio can only be sold if the tenants are offered preemptive rights on preferential terms. This means that Vonovia is obliged to offer these tenants the units at a price that is up to 15% below the price that could be achieved by selling the units in question to third parties.

> **Restrictions on the termination of rent agreements:** Around 97,000 units are affected by restrictions on the termination of rent agreements. These restrictions include notice to vacate for personal use and notice to vacate for appropriate commercial utilization. In some cases, units are covered by a lifelong ban on the termination of rent agreements.

> **Expenses for minimum maintenance and restrictions on maintenance and modernization measures:** Due to the expiry of minimum maintenance obligations in several portfolios, the number of residential units affected by minimum maintenance obligations has fallen to around 54,000. As several minimum maintenance obligations in varying amounts no longer apply, the weighted average of

Change in parameters			
Market rent residential	Market rent increase residential	Stabilized vacancy rate residential	Discounting and capitalized interest rates total
-2.0% / +2.0%	**-0.2% / +0.2% points**	**-1% / +1% point**	**-0.25% / +0.25% points**
-2.4 / 2.4	-8.5 / 10.1	1.9 / -1.9	10.0 / -8.3
-2.2 / 2.3	-6.2 / 7.1	1.3 / -1.7	7.4 / -6.4
-2.2 / 2.3	-6.0 / 6.8	1.8 / -1.8	6.9 / -6.1
-2.4 / 2.4	-5.8 / 6.5	2.1 / -2.2	6.0 / -5.4
-2.3 / 2.3	-6.0 / 6.7	2.0 / -2.0	6.5 / -5.8
-2.2 / 2.2	-6.5 / 7.5	1.4 / -1.8	7.6 / -6.7
-2.0 / 2.0	-6.8 / 7.9	0.8 / -1.6	8.6 / -7.4
-2.2 / 2.2	-6.1 / 6.9	1.6 / -1.7	7.1 / -6.2
-2.6 / 2.6	-5.5 / 6.1	2.4 / -2.4	5.3 / -4.8
-2.3 / 2.3	-6.1 / 6.9	1.9 / -1.9	6.8 / -6.0
-2.4 / 2.4	-6.1 / 6.9	2.1 / -2.0	6.4 / -5.7
-2.3 / 2.3	-6.7 / 7.8	2.1 / -2.1	7.2 / -6.3
-2.5 / 2.5	-6.5 / 7.5	2.1 / -2.1	7.0 / -6.1
-2.4 / 2.3	-6.0 / 6.7	2.1 / -2.2	6.2 / -5.5
-2.4 / 2.3	-7.1 / 8.1	1.4 / -1.8	8.1 / -7.0
-2.3 / 2.4	-6.0 / 6.9	1.9 / -1.9	6.6 / -5.9
-2.3 / 2.3	**-6.5 / 7.5**	**1.8 / -1.9**	**7.4 / -6.4**
-2.6 / 2.6	-5.9 / 6.6	2.5 / -2.5	5.7 / -5.1
-2.3 / 2.3	**-6.5 / 7.5**	**1.8 / -1.9**	**7.4 / -6.4**
-1,6 / 1,6	n. a.	n. a.	7,3 / -6,7

the annual necessary spending on maintenance and modernization has changed to € 15.94 per m². Furthermore, around 53,000 units are affected by restrictions relating to modernization and maintenance measures, which are designed to prevent changes in socio-economic tenant composition (i. e., to limit luxury modernization). Some of the restrictions to prevent luxury modernization have been agreed on a permanent basis.

> **Restrictions on rent increases:** Restrictions on rent increases (including provisions stating that "luxury modernization" measures are subject to approval) affect around 60,000 units. These restrictions could prevent Vonovia from realizing the rent that could potentially be generated from the units in question.

In many cases, in the event that all or part of a portfolio is transferred or individual units are sold, the aforementioned obligations are to be assumed by the buyers, who are in turn subject to the obligation to pass them on to any future buyers.

Under structured financing programs, Vonovia is subject to fundamental restrictions on the use of excess property disposal proceeds, such restrictions being particularly in the form of mandatory minimum capital repayments. Excess cash from property management is also restricted to a certain extent.

Due to their structure and content, the aforementioned contractual obligations have no significant effect on the valuation of the investment properties.

24 Financial Assets

in € million	Dec. 31, 2017 non-current	Dec. 31, 2017 current	Dec. 31, 2018 non-current	Dec. 31, 2018 current
Joint venture investments valued at equity	7.0	–	29.1	–
Other investments	644.7	–	792.1	–
Loans to other investments	33.4	–	33.4	–
Securities	3.6	–	4.0	–
Other non-current loans	4.3	–	10.2	–
Derivatives	5.0	0.5	20.0	0.8
	698.0	**0.5**	**888.8**	**0.8**

The carrying amount of financial assets corresponds to maximum risk of loss as of the reporting date.

The other investments include € 672.8 million (Dec. 31, 2017: € 613.3 million) in shares in Deutsche Wohnen SE and € 87.0 million (Dec. 31, 2017: 0,0 million) in shares in OPPCI Juno, Paris, at fair value.

The loans to other investments not yet due relate to a loan to the property fund DB Immobilienfonds 11 Spree-Schlange von Quistorp KG.

Derivatives include positive market values from cross currency swaps in the amount of € 15.7 million (Dec. 31, 2017: € 5.0 million), together with positive market values in the amount of € 4.3 million (Dec. 31, 2017: € 0.0 million) from embedded derivatives and other interest rate derivatives of Victoria Park.

25 Other Assets

in € million	Dec. 31, 2017 non-current	Dec. 31, 2017 current	Dec. 31, 2018 non-current	Dec. 31, 2018 current
Right to reimbursement for transferred pensions	5.3	–	4.7	–
Receivables from insurance claims	1.6	17.8	1.2	16.6
Miscellaneous other assets	6.9	80.6	6.3	97.8
	13.8	**98.4**	**12.2**	**114.4**

The right to reimbursement for transferred pensions is in connection with the indirect obligation shown under provisions for pensions arising from pension obligations transferred to former affiliated companies of the Viterra Group.

The receivables from insurance claims include the recognition of the excess of the fair value of plan assets over the corresponding pre-retirement part-time work arrangement obligations amounting to € 0.2 million (Dec. 31, 2017: € 0.5 million).

26 Income Tax Receivables

The income tax receivables disclosed relate to corporate income tax and trade tax receivables for the current fiscal year and prior years as well as capital gains tax. The increase in the financial year 2018 mainly results from reimbursement claims referring to paid capital gains tax including solidarity surcharge in the amount of € 65.5 million.

27 Inventories

The raw materials and supplies recognized relate to repair materials for our craftsmen's organization.

28 Trade Receivables

The trade receivables break down as follows:

in € million	Impaired		Not impaired						Carrying amount
	Gross amount	Impairment losses	Neither impaired nor past due at the end of the reporting period	less than 30 days	between 30 and 90 days	between 91 and 180 days	between 181 and 360 days	more than 360 days	Corresponds to maximum risk of loss*
Receivables from the sale of investment properties	5.6	-3.1	186.7	18.8	2.6	34.6	3.0	10.4	258.6
Receivables from the sale of real estate properties	–	–	71.0	–	–	–	–	–	71.0
Contract assets	–	–	107.7	3.4	1.2	0.2	–	–	112.5
Receivables from property letting	80.7	-36.3	–	–	–	–	–	–	44.4
Receivables from other management	–	–	0.5	–	–	–	–	–	0.5
Receivables from other supplies and services	6.0	-0.1	–	–	–	–	–	–	5.9
As of Dec. 31, 2018	**92.3**	**-39.5**	**365.9**	**22.2**	**3.8**	**34.8**	**3.0**	**10.4**	**492.9**
Receivables from the sale of investment properties	4.9	-4.2	79.1	82.3	8.6	20.6	7.2	2.7	201.2
Receivables from the sale of real estate properties	–	–	–	–	–	–	–	–	–
Contract assets	–	–	–	–	–	–	–	–	–
Receivables from property letting	69.6	-37.4	–	–	–	–	–	–	32.2
Receivables from other management	–	–	0.5	–	–	–	–	–	0.5
Receivables from other supplies and services	1.2	-0.2	–	–	–	–	–	–	1.0
As of Dec 31, 2017	75.7	-41.8	79.6	82.3	8.6	20.6	7.2	2.7	234.9

* The maximum default risk on the receivables from the sale of properties is limited to the margin and the transaction unwinding costs as the title to the properties remains with Vonovia as security until receipt of payment.

The carrying amounts of current trade receivables correspond to their fair values.

The receivables from the sale of real estate inventories and the contract assets reported in the current fiscal year result entirely from the takeover of BUWOG.

In principle, all impaired trade receivables are due and payable. As regards the trade receivables that are neither impaired nor past due, there was no indication on the reporting date that the debtors would not meet their payment obligations.

Receivables from the sale of properties arise on economic transfer of ownership. The due date of the receivable may, however, depend on the fulfillment of contractual obligations. Some purchase contracts provide for the purchase price to be deposited in an escrow account. Impairment losses for doubtful debts are recorded up to the amount of the posted proceeds from sales.

Vonovia's receivables from property letting generally arise at the beginning of the month, are of a short-term nature and result from claims in relation to tenants relating to operating business activities. Due to the (subsequent) measurement at amortized cost, an impairment test has to be performed. The receivables fall under the scope of the calculation of expected credit losses.

In accordance with the general provisions set out in IFRS 9, expected credit losses are to be recognized using the simplified approach for current trade receivables without any significant financing component.

Irrespective of their term, Vonovia initially assigns receivables to level 2 of the impairment model. In the further course, they need to be moved to level 3 of the impairment model if there is objective evidence of impairment. The transfer from level 2 to level 3 is to be made at the latest when the contractual payments have been overdue for more than 90 days. This assumption can, however, be refuted in individual cases if there are no other objective indications pointing towards a default. Receivables always have to be transferred to the next level if a legally enforceable instrument has been obtained against the tenant as part of a dunning procedure. If the objective evidence of impairment ceases to apply, the receivable is transferred (back) to level 2 of the impairment model.

If Vonovia becomes aware of any major changes in market conditions and/or a debtor's circumstances, it reevaluates the expected credit losses without delay. This procedure ensures that receivables are transferred to the right level in the impairment model as soon as possible.

Vonovia uses a credit loss matrix when calculating expected credit losses for trade receivables. The matrix is based on historical default rates and takes current expectations into account, including macroeconomic indicators (e.g. GDP). The matrix can be used to calculate the expected credit losses for various homogeneous portfolios.

In order to create portfolios for the purpose of assessing the probability of default, the individual clusters of receivables need to have homogeneous credit risk characteristics. As far as receivables from its operating business activities are concerned, i. e. the rental of residential properties, Vonovia makes a distinction between receivables from existing tenants and receivables from former tenants. Both portfolios include current receivables that are exposed to a low level of volatility, as the company's core operating business is hardly exposed to any major fluctuations. Main effects on receivables in the past are attributable to corporate takeovers by Vonovia.

Calculation Method for Receivables from Former Tenants

The calculation of the probability of default is based on the results of an analysis of the historical probability of default. Cash flows relating to outstanding receivables over the last three years have been analyzed and an average amount of incoming payments for the year in question was calculated on a monthly basis. The average monthly incoming payments were compared against the average monthly receivables for the year in question. Ultimately, Vonovia has been able to collect approx. 4.5% of the average receivables over the last three years. This means that Vonovia sets up risk provisions corresponding to a rounded total of 95% for its receivables from former tenants.

The loss given default comprises the following:

The receivables of former tenants that are being analyzed (amount of the receivable at the time of default) are corrected to reflect retained deposits that serve as security for Vonovia. This is already taken into account as part of the calculation method used for the probability of default.

The underlying average receivables portfolio excludes individually impaired receivables that were fully depreciated.

Receivables from Existing Tenants

When it comes to determining the probability of default with regard to receivables associated with ongoing lease agreements, Vonovia analyzes those receivables that have actually been derecognized over the last three years. Receivables from property letting were already subject to corresponding impairments under IAS 39.

This is performed systematically by way of a receivables management system according to the aspects receivables relating to ancillary expenses, net rent, rent adjustments and payment difficulties.

Impairment losses on trade receivables developed as follows:

in € million	
Impairment losses as of Jan. 1, 2018	41.8
Addition	24.1
Addition due to business combinations	6.9
Utilization	-30.8
Reversal	-2.5
Impairment losses as of Dec. 31, 2018	**39.5**
Impairment losses as of Jan. 1, 2017	27.0
Addition	22.2
Addition due to business combinations	20.0
Utilization	-27.3
Reversal	-0.1
Impairment losses as of Dec. 31, 2017	41.8

Within the impairment losses on receivables from property letting, the risk provisions are generally taken into account as follows: For existing tenants, a risk provision corresponding to between 18% and 40% of the receivables, in a total amount of € 8.1 million, was set up depending on the lease term. In cases involving payment difficulties, the provision corresponded to between 40% and 95% of the receivables and amounted to € 4.9 million in total. The risk provisions for former tenants correspond to 95% of the receivables and amount to € 13.4 million in total.

For contracts with customers who are assigned to Vonovia's development business, the payment terms pursuant to Section 3 (2) of the Real Estate Agent and Commercial Contractor Regulation (MaBV) generally apply in Germany. Customers also have a contractual obligation to present a financing commitment issued by a credit institution for the entire purchase price. Otherwise, Vonovia is entitled to withdraw from the agreement. In Austria, the installment plan pursuant to Section 10 (2) of the Austrian Property Development Contract Act (BTVG) is normally applied, with customers obliged to pay the entire purchase price into an escrow account. Due to the structure of the standard payment terms in the development business, no separate impairment losses are taken into account on corresponding receivables from customer contracts.

For example, receivables are derecognized if tenants die and have no heirs, if they move to an unknown location or move abroad, if execution is impossible for the court bailiff, in cases involving bankruptcy or if a settlement was reached.

The following table shows the expenses for the full derecognition of receivables, as well as income from the receipt of derecognized receivables:

in € million	2017	2018
Expenses for the derecognition of receivables	3.4	2.8
Income from the receipt of derecognized receivables	5.4	3.8

29 Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, checks and deposits at banking institutions totaling € 547.7 million (Dec. 31, 2017: € 266.2 million).

€ 57.2 million (Dec. 31, 2017: € 36.3 million) of the bank balances are restricted with regard to their use.

30 Real Estate Inventories

Recognized real estate inventories in the amount of € 307.1 million (December 31, 2017: € 0.0 million) mainly concern all development projects that result from the inclusion of the BUWOG Group. These are projects to construct residential units planned for sale that are currently being built or that have been completed but have not yet been sold. The item also includes undeveloped land that will be used for future project developments. Because of the intention to sell, valuation is not made in accordance with IAS 40 but according to IAS 2 at amortized cost less accumulated depreciation or at net realizable value, whichever is lower.

31 Assets Held for Sale

The assets held for sale include properties totaling € 105.9 million (Dec. 31, 2017: € 142.6 million) for which notarized purchase contracts had already been signed as of the reporting date.

32 Total Equity

Development of the Subscribed Capital

in €

As of Jan. 1, 2018	485,100,826.00
Capital increase against cash contributions on May 11, 2018	26,000,000.00
Capital increase against non-cash contributions on June 12, 2018 (scrip dividend)	6,977,108.00
As of Dec. 31, 2018	**518,077,934.00**

Development of the Capital Reserves

in €

As of Jan. 1, 2018	5,966,315,814.06
Premium from capital increase on May 11, 2018	969,800,000.00
Premium from capital increase for scrip dividend on June 12, 2018	254,580,716.70
Transaction costs on the issue of new shares (after allowing for deferred taxes)	-7,436,753.64
Other changes not affecting net income	163,397.27
As of Dec. 31, 2018	**7,183,423,174.39**

On May 11, 2018, Vonovia SE increased the share capital in return for a cash contribution, partially using the 2016 authorized capital and excluding a subscription right, by € 26,000,000.00 from € 485,100,826.00 to € 511,100,826.00.

The 26,000,000 new no-par-value registered shares were placed with institutional investors in the scope of a private placement by means of an accelerated bookbuilding procedure and carry dividend rights as of January 1, 2018.

The shares were granted at a placement price of € 38.30 per share, delivering issue proceeds to Vonovia SE in the amount of € 995.8 million before commission and expenses.

Authorized Capital

The 2016 and 2017 authorized capital was canceled by way of a resolution passed by the Annual General Meeting on May 9, 2018, in Bochum, and a new 2018 authorized capital was created in the amount of € 242,550,413.00. Shareholder subscription rights for the 2018 authorized capital can be excluded.

Retained Earnings

As of December 31, 2018, retained earnings of € 9,942.0 million (Dec. 31, 2017: € 8,471.6 million) were recognized. This figure includes actuarial gains and losses of € -69.0 million (Dec. 31, 2017: € -64.0 million), which cannot be reclassified and therefore may no longer be recognized in profit or loss in subsequent reporting periods. The changes not affecting net income in the amount of € -150.7 million mainly include additional purchases of shares in BUWOG and Victoria Park, which are not classified as a linked transaction.

Other reserves

The other reserves contain cumulative changes in equity not affecting income. At Vonovia, the effective portion of the net change in the fair value of cash flow hedging instruments, the equity instruments at fair value under other comprehensive income as well as the balance resulting from currency translation are recognized within this reserve.

The other reserves from cash flow hedges and from currency translation differences can be reclassified. When the underlying hedged item of the cash flow hedge affects net income, the reserves attributable thereto are reclassified to profit or loss. If a foreign business is disposed of, the reserves attributable thereto are reclassified.

Dividend

The Annual General Meeting held on May 9, 2018, resolved to pay a dividend for the 2017 fiscal year in the amount of € 1.32 per share.

As in the previous year, Vonovia offered its shareholders the option of choosing between being paid the dividend in cash or being granted new shares. During the subscription period, 40.9% of shareholders opted for the stock dividend as opposed to the cash dividend. As a result, 6,977,108 new shares were issued using the company's authorized capital pursuant to Section 5b of the Articles of Association ("2016 authorized capital") at a subscription price of € 37.488 per share, i. e. a total amount of € 261,557,824.70. The total amount of the dividend distributed in cash came to € 378,775,265.62.

Equity Attributable to Hybrid Capital Investors

In December 2014, Vonovia issued a hybrid bond with a nominal volume of € 1.0 billion via a subsidiary, Vonovia Finance B. V., Amsterdam/Netherlands (issuer). This subordinated hybrid bond is of unlimited duration and can only be terminated by Vonovia on certain contractually fixed dates or occasions.

Up until the first termination date in December 2021, the hybrid bond shall bear interest at a rate of 4.0% p. a. If the bond is not terminated, then the coupon for the next five-year period increases automatically (step-up clause). The bond terms and conditions do not provide for any unconditional legal obligations to pay interest. Interest that is not paid out is carried forward to the new account and accumulated. If a resolution is passed on a dividend, or if a voluntary payment is made in connection with comparable subordinated bonds, then this triggers an interest payment obligation for this bond.

Pursuant to IAS 32, the hybrid bond is to be classified as equity in full. The interest payments to be made to the bondholders are recognized directly in equity.

Non-controlling Interests

Shares of third parties in Group companies are recognized under non-controlling interests.

Development of non-controlling interests in 2018

in € million	
As of Jan. 1, 2018	608.8
Non-controlling interests in profit for the period	96.3
Changes in other comprehensive income during the period	1.4
First-time consolidations (mainly BUWOG and Victoria Park)	554.0
Further purchases of shares in BUWOG	-47.9
Further purchases of shares in Victoria Park	-155.4
BUWOG squeeze-out	-249.8
Dividends paid to minority shareholders	-10.7
Other changes not affecting net income	-14.4
As of Dec. 31, 2018	**782.3**

The further purchases of shares in BUWOG and Victoria Park are no longer to be considered a linked transaction, meaning that they are reported under non-controlling interests with a neutral impact.

33 Provisions

	Dec. 31, 2017		Dec. 31, 2018	
in € million	non-current	current	non-current	current
Provisions for pensions and similar obligations	513.7	–	520.6	–
Provisions for taxes (current income taxes excl. deferred taxes)	–	155.3	–	180.3
Other provisions				
Environmental remediation	16.7	0.2	14.8	0.2
Personnel obligations	61.7	65.8	60.2	66.6
Outstanding trade invoices	–	50.0	–	61.7
Miscellaneous other provisions	15.1	105.2	21.1	141.7
Total other provisions	93.5	221.2	96.1	270.2
Total provisions	**607.2**	**376.5**	**616.7**	**450.5**

Provisions for Pensions and Similar Obligations

Vonovia has pension obligations towards various employees which are based on the length of service. Defined benefit and defined contribution obligations – for which Vonovia guarantees a certain level of benefit – are financed through provisions for pensions. Vonovia has taken out reinsurance contracts for individual people.

Generally, they are pension benefits that depend on the final salary with percentage increases depending on the number of years of service.

The pension commitments cover 4,003 (Dec. 31, 2017: 4,030) eligible persons.

Executives currently working for companies belonging to Vonovia have the opportunity to participate in the "Pension Instead of Cash Remuneration" model (Versorgungsbezüge anstelle von Barbezügen) in the version dated October 2003. Retirement, invalidity and surviving dependent benefits in the form of a lifelong pension are offered under this deferred compensation model. The retirement benefits can also be paid out as a one-time capital sum.

The 2002 pension scheme (VO 2002) for Vonovia employees replaces the pension systems that existed until December 31, 2001. For employees who joined the company prior to 1991, existing claims arising from the previous pension commitment as of December 31, 2001, are protected in the form of a status of possession. After this point, these employees acquire rights to future pension benefits in accordance with VO 2002. With the introduction of VO 2002, the pension regulations for employees joining the company after 1990 was updated with regard to changes in legislation and court rulings. Pension components acquired before the date VO 2002 replaced the previous pension systems remain in existence. As part of VO 2002, retirement, invalidity and surviving dependent benefits are provided in the form of lifelong pensions. The pension is calculated as the sum of annually acquired pension components that form a fixed percentage of salary. Salary components exceeding the income limit for the assessment of contributions to statutory pension insurance are weighted in a quadruple manner. For new pension commitments beginning in 2002, a pension guarantee of 1.0% p. a. is provided. For all other employees, the provisions of Section 16 of the German Occupational Pensions Improvement Act (BetrAVG) apply.

The following overview summarizes the most important basic data of the closed pension plans:

	VO 1 Veba Immobilien	VO 91 Eisenbahnges.	Bochumer Verband
Type of benefits	Retirement, invalidity and surviving dependent benefits	Retirement, invalidity and surviving dependent benefits	Retirement, invalidity and surviving dependent benefits
Pensionable remuneration	Final salary	Final salary	Not applicable
Max. pension level			
Remuneration up to state pension assessment limit	25%	27%	Depends on individual grouping
Remuneration in excess of state pension assessment limit	25%	72%	
Total pension model based on final salary	Yes	Yes	No
Net benefit limit incl. state pension	None	90%	None
Gross benefit limit	70%	None	None
Adjustment of pensions	Section 16, (1,2) BetrAVG	Section 16, (1,2) BetrAVG	Adjustment every 3 years by Bochumer Verband (Management Board resolution)
Supplementary periods	Age of 55	None	Age of 55 (half)
Legal basis	Works agreement	Works agreement	Commitment to executives in individual contracts
Number of eligible persons	310	381	442

	VO 60 Eisenbahnges.	Viterra commitment to Management Board members (with plan assets)	Deferred compensation until 1999
Type of benefits	Retirement, invalidity and surviving dependent benefits	Retirement, invalidity and surviving dependent benefits	Retirement, invalidity and surviving dependent benefits
Pensionable remuneration	Final salary	Final salary	Not applicable
Max. pension level			
Remuneration up to state pension assessment limit	48%	75%	Not applicable
Remuneration in excess of state pension assessment limit	48%	75%	Not applicable
Total pension model based on final salary	Yes	No	No
Net benefit limit incl. state pension	None	None	None
Gross benefit limit	75%	None	None
Adjustment of pensions	Section 16, (1,2) BetrAVG	Annual according to development of cost of living	Section 16, (1,2) BetrAVG, min. 8% every 3 years
Supplementary periods	None	None	Age of 55
Legal basis	Works agreement	Commitment to Management Board members in individual contracts	Commitment to executives in individual contracts
Number of eligible persons	142	6	29

	VO guideline Gagfah M	VO 2017 VBL-Ersatzversorgung
Type of benefits	Retirement, invalidity and surviving dependent benefits	Retirement, invalidity and surviving dependent benefits
Pensionable remuneration	Final salary	Yes
Max. pension level		Yes
Remuneration up to state pension assessment limit	No	No
Remuneration in excess of state pension assessment limit	No	No
Total pension model based on final salary	Yes	No
Net benefit limit incl. state pension	None	None
Gross benefit limit	75%	None
Adjustment of pensions	Section 16, (1,2) BetrAVG	1%
Supplementary periods	Age of 55	None
Legal basis	Works agreement	Individual agreement
Number of eligible persons	372	112

The current pensions according to the classic pension benefit regulations of Bochumer Verband are adjusted in line with Section 20 of those regulations. Section 20 is a rule which is based on Section 16 (1,2) of the German Occupational Pensions Improvement Act (BetrAVG) but which, according to a ruling of the Federal Labour Court of Germany, is an independent rule. Other company pensions are reviewed and adjusted under the terms of the agreement according to Section 16 (1,2) BetrAVG. On every review date, the development of the cost of living since the individual retirement date is reviewed and compensated for. Only in the aforementioned deferred compensation model is the option, available since January 1, 1999, used to raise the current pensions every year by 1% (Section 16 (3) No. 1 BetrAVG). No further risks are seen.

The company has decided to use the internal financing effect of the provisions for pensions and only to back a relatively small portion of the pension obligations with plan assets. Reinsurance policies have been taken out for former Management Board members against payment of a one-time insurance premium in order to provide additional protection against insolvency; these reinsurance policies were pledged to the eligible persons. They constitute plan assets, which are offset against the gross obligation. The fair value of the reinsurance policies for individual persons is higher than the extent of the obligations towards the respective person. This surplus of the fair values of the assets over the obligation is shown under non-current other assets. The conclusion of further reinsurance policies is not planned.

Pension plan obligations and the expenses necessary to cover these obligations are determined using the projected unit credit method prescribed by IAS 19. Both pensions known on the reporting date and vested rights, as well as expected future increases in salaries and pensions, are included in the measurement. The following actuarial assumptions were made at the reporting date – in each case related to the end of the year and with economic effect for the following year.

Actuarial Assumptions

in %	Dec. 31, 2017	Dec. 31, 2018
Actuarial interest rate	1.70	1.70
Pension trend	1.75	1.75
Salary trend	2.75	2.75

The new 2018 G mortality tables of Prof. Dr. Klaus Heubeck published in 2018 have been applied for the first time to the biometric assumptions. The Heubeck 2005 G mortality tables were taken as a basis in the 2017 fiscal year. The application resulted in a changeover effect in the amount of € 5.3 million.

The defined benefit obligation (DBO) developed as follows:

in € million	2017	2018
DBO as of Jan. 1	544.0	535.0
Additions due to business combinations	2.4	4.3
Interest expense	9.1	8.9
Current service cost	9.4	10.6
Actuarial gains and losses:		
Changes in the biometric assumptions	-4.7	8.5
Transfer	0.1	-
Benefits paid	-25.3	-25.5
DBO as of Dec. 31	**535.0**	**541.8**

The present value of the defined benefit obligation is divided among the groups of eligible persons as follows:

in € million	Dec. 31, 2017	Dec. 31, 2018
Active employees	115.1	111.6
Former employees with vested pension rights	88.3	96.6
Pensioners	331.6	333.6
DBO as of Dec. 31	**535.0**	**541.8**

Plan assets comprise solely reinsurance contracts. The fair value of the plan assets has developed as follows:

in € million	2017	2018
Fair value of plan assets as of Jan. 1	22.5	22.4
Additions due to business combinations	0.3	0.3
Return calculated using the actuarial interest rate	0.4	0.4
Actuarial gains:		
Changes in the financial assumptions	0.4	0.5
Benefits paid	-1.2	-1.3
Fair value of plan assets as of Dec. 31	**22.4**	**22.3**

The actual return on plan assets amounted to € 0.8 million during the fiscal year (2017: € 0.8 million).

The following table shows a reconciliation of the defined benefit obligation to the pension obligation recognized in the balance sheet:

in € million	Dec. 31, 2017	Dec. 31, 2018
Present value of funded obligations*	36.1	36.4
Present value of unfunded obligations	498.9	505.4
Total present value of defined benefit obligations	535.0	541.8
Fair value of plan assets*	-22.4	-22.3
Net liability recognized in the balance sheet	512.6	519.5
Other assets to be recognized	1.1	1.1
Provisions for pensions recognized in the balance sheet	**513.7**	**520.6**

* Largely attributable to the "Viterra Management Board commitment" and "Gagfah Management Board commitment" pension plans.

In 2018, actuarial losses of € 8.0 million (excluding deferred taxes) were recognized in other comprehensive income.

The weighted average term of the defined benefit obligations is 15.0 years.

The following table contains the projected, undiscounted pension payments of the coming five fiscal years and the total of those in the subsequent five fiscal years:

in € million	Projected pension payments
2019	26.1
2020	25.3
2021	25.1
2022	24.7
2023	24.4
2024–2028	121.5

Sensitivity Analyses

An increase or decrease in the material actuarial assumptions would have led to the following DBO as of December 31, 2018, providing the other assumptions did not change:

in € million		DBO
Actuarial interest rate	Increase by 0.5%	504.3
	Decrease by 0.5%	584.2
Pension trend	Increase by 0.25%	553.7
	Decrease by 0.25%	529.9

An increase in life expectancy of 5.0% would have resulted in an increase in the DBO of € 24.0 million as of December 31, 2018.

If several assumptions are changed simultaneously, the cumulative effect is not necessarily the same as if there had been a change in just one of the assumptions.

The provisions for pensions include € 4.7 million (Dec. 31, 2017: € 5.3 million) for pension obligations which were transferred to third parties as part of an assumption of debt and which relate to vested rights and the payment of current pensions. A corresponding non-current receivable is shown under miscellaneous other assets.

Development of Other Provisions During the Fiscal Year

in € million	**As of Jan. 1, 2018**	Additions due to changes in scope of consolidation	Additions	Reversals	Interest accretion to provisions	Netting plan assets	Utilization	**As of Dec. 31, 2018**
Other provisions								
Environmental remediation	16.9	–	–	–	0.1	–	-2.0	15.0
Personnel obligations	127.5	3.7	47.4	-9.3	0.3	0.3	-43.1	126.8
Outstanding trade invoices	50.0	–	54.6	-8.7	–	–	-34.2	61.7
Miscellaneous other provisions	120.3	38.8	58.8	-21.6	0.1	–	-33.6	162.8
	314.7	**42.5**	**160.8**	**-39.6**	**0.5**	**0.3**	**-112.9**	**366.3**

Development of Other Provisions in the Previous Year

in € million	**As of Jan. 1, 2017**	Additions due to changes in scope of consolidation	Additions	Reversals	Interest accretion to provisions	Netting plan assets	Utilization	**As of Dec. 31, 2017**
Other provisions								
Environmental remediation	20.3	–	–	-1.0	0.2	–	-2.6	16.9
Personnel obligations	138.4	13.5	55.1	-9.9	0.2	0.4	-70.2	127.5
Outstanding trade invoices	60.0	7.7	41.7	-4.5	–	–	-54.9	50.0
Miscellaneous other provisions	91.9	29.2	32.6	-13.8	-0.1	–	-19.5	120.3
	310.6	**50.4**	**129.4**	**-29.2**	**0.3**	**0.4**	**-147.2**	**314.7**

Reversals of provisions are generally offset against the expense items for which they were originally established.

The provisions for environmental remediation primarily refer to site remediation of locations of the former Raab Karcher companies. Remediation has either already begun or an agreement has been reached with the authorities as to how the damage is to be remedied. The cost estimates are based on expert opinions detailing the anticipated duration of the remediation work and the anticipated cost.

The personnel obligations are provisions for pre-retirement part-time work arrangements, provisions for bonuses, severance payments not relating to restructuring and other personnel expenses. The other personnel expenses include a provision for the long-term incentive plan (LTIP) of € 17.8 million (Dec. 31, 2017: € 18.3 million) (see note [50] Share-based Payment).

The material individual cost items under miscellaneous other provisions include costs associated with legal disputes in the amount of € 18.7 million (2017: € 9.4 million), allocations to the provisions for pre-retirement part-time work arrangements in the amount of € 14.0 million (2017: € 7.4 million) and € 0.1 million (2017: € 6.6 million) in costs in connection with tax returns.

34 Trade Payables

	Dec. 31, 2017		Dec. 31, 2018	
in € million	non-current	current	non-current	current
Liabilities				
from property letting	–	68.2	–	68.8
from other supplies and services	2.4	62.5	4.4	170.3
	2.4	**130.7**	**4.4**	**239.1**

35 Non-derivative Financial Liabilities

	Dec. 31, 2017		Dec. 31, 2018	
in € million	non-current	current	non-current	current
Non-derivative financial liabilities				
Liabilities to banks	2,602.3	602.7	4,893.5	306.6
Liabilities to other creditors	9,857.1	921.6	12,544.0	2,272.0
Deferred interest from non-derivative financial liabilities	–	76.8	–	119.9
	12,459.4	**1,601.1**	**17,437.5**	**2,698.5**

Deferred interest is presented as current in order to show the cash effectiveness of the interest payments transparently. In principle, the deferred interest is part of the non-derivative financial liability. Of the deferred interest from non-derivative financial liabilities, € 113.9 million (Dec. 31, 2017: € 75.8 million) is from bonds reported under non-derivative financial liabilities to other creditors.

The non-derivative financial liabilities developed as follows in the fiscal year under review:

in € million	**As of Jan. 1, 2018**	First-time consoli-dation	New loans	Scheduled repay-ments	Unsche-duled repayments	Adjusted for effective interest method	Other ad-justments	exchange rate diffe-rences	**As of Dec. 31, 2018**
Bond	598.9					0.7			599.6
Bonds (USD)	204.8					10.3			215.1
Bonds (EMTN)	8,688.6		3,600.0	-500.0		-28.3			11,760.3
Bond (Hybrid)	697.3					1.9			699.2
Commercial Paper	410.2		813.0	-803.0		-0.2			420.0
Portfolio loans									
Berlin-Hannoversche Hypothekenbank (Landesbank Berlin)	489.3		50.5	-2.1	-38.5	0.2			499.4
Berlin-Hannoversche Hypothekenbank, Landesbank Berlin and Landesbank Baden-Württemberg	341.3			-4.2	-17.3	0.7			320.5
Deutsche Hypothekenbank	176.8			-5.0		-2.7			169.1
Nordrheinische Ärzteversorgung	31.6			-0.7	-1.2				29.7
Norddeutsche Landesbank	116.7			-3.4		0.1			113.4
Mortgages	2,228.2		207.1	-50.4	-94.5	7.2			2,297.6
Working capital facility			100.0	-100.0					-
BUWOG:									
Mortgages		1,958.9	203.9	-39.3	-190.3	4.9			1,938.1
Victoria Park:									
Bonds		101.6		-38.3		-2.0		1.1	62.4
Mortgages		804.2	89.7	-13.4		-5.4		16.6	891.7
Other deferred interest	76.8	2.5					40.6		119.9
	14,060.5	**2,867.2**	**5,064.2**	**-1,559.8**	**-341.8**	**-12.6**	**40.6**	**17.7**	**20,136.0**

The non-derivative financial liabilities developed as follows in the previous year:

in € million	**As of Jan. 1, 2017**	First-time consoli-dation	New loans	Scheduled repayments	Unschedu-led repay-ments	Adjusted for effective interest method	Other adjust-ments	**As of Dec. 31, 2017**
Bond	598.3					0.6		598.9
Bonds (USD)	943.7			-554.9			-184.0	204.8
Bonds (EMTN)	7,437.8		2,000.0	-750.0		0.8		8,688.6
Bond (Hybrid)	695.4					1.9		697.3
Commercial Paper			410.2					410.2
Taurus	1,055.9			-2.7	-1,017.7	-35.5		–
Portfolio loans								
Berlin-Hannoversche Hypothekenbank (Landesbank Berlin)	500.5			-8.4	-3.5	0.7		489.3
Berlin-Hannoversche Hypothekenbank, Landesbank Berlin and Landesbank Baden-Württemberg	398.9			-4.2	-54.5	1.1		341.3
Corealcredit Bank AG	147.1			-1.8	-145.9	0.6		–
Deutsche Hypothekenbank	186.4			-4.8	-1.9	-2.9		176.8
HSH Nordbank	17.3			-16.4	-0.7	-0.2		–
Nordrheinische Ärzteversorgung	33.3			-0.6	-1.1			31.6
Norddeutsche Landesbank	119.9			-3.3		0.1		116.7
Mortgages	1,163.9	16.6	490.7	-33.1	-156.2	3.0		1,484.9
Conwert:								
Bond		65.0		-65.0				–
Mortgages		1,152.7	19.6	-59.5	-362.5	-7.0		743.3
Other deferred interest	72.6	2.9					1.3	76.8
	13,371.0	**1,237.2**	**2,920.5**	**-1,504.7**	**-1,744.0**	**-36.8**	**-182.7**	**14,060.5**

The U.S. dollar bond issued in 2013 is translated at the exchange rate at the end of the reporting period in line with applicable IFRS provisions. Allowing for the hedging rate prescribed through the interest hedging transaction entered into, this financial liability would be € 33.5 million lower than the recognized value (Dec. 31, 2017: € 23.5 million).

The maturities and average interest rates of the nominal obligations of the liabilities to banks and the liabilities to other creditors are as follows during the fiscal year:

in € million	Nominal obligation Dec. 31, 2018	Maturity	Average interest rate	Repayment of the nominal obligations is as follows: 2019	2020	2021	2022	2023	from 2024
Bond*	600.0	2019	3.13%	600.0	–	–	–	–	–
Bond (US dollar)*	184.9	2023	4.58%	–	–	–	–	184.9	–
Bond (EMTN)*	500.0	2021	3.63%	–	–	500.0	–	–	–
Bond (EMTN)*	500.0	2022	2.13%	–	–	–	500.0	–	–
Bond (EMTN)*	500.0	2020	0.88%	–	500.0	–	–	–	–
Bond (EMTN)*	500.0	2025	1.50%	–	–	–	–	–	500.0
Bond (EMTN)*	1,250.0	2020	1.63%	–	1,250.0	–	–	–	–
Bond (EMTN)*	1,000.0	2023	2.25%	–	–	–	–	1,000.0	–
Bond (EMTN)*	500.0	2022	0.88%	–	–	–	500.0	–	–
Bond (EMTN)*	500.0	2026	1.50%	–	–	–	–	–	500.0
Bond (EMTN)*	1,000.0	2024	1.25%	–	–	–	–	–	1,000.0
Bond (EMTN)*	500.0	2022	0.75%	–	–	–	500.0	–	–
Bond (EMTN)*	500.0	2027	1.75%	–	–	–	–	–	500.0
Bond (EMTN)*	500.0	2025	1.13%	–	–	–	–	–	500.0
Bond (EMTN)*	500.0	2019	0.03%	500.0	–	–	–	–	–
Bond (EMTN)*	500.0	2024	0.75%	–	–	–	–	–	500.0
Bond (EMTN)*	500.0	2028	1.50%	–	–	–	–	–	500.0
Bond (EMTN)*	600.0	2022	0.79%	–	–	–	600.0	–	–
Bond (EMTN)*	500.0	2026	1.50%	–	–	–	–	–	500.0
Bond (EMTN)*	500.0	2030	2.13%	–	–	–	–	–	500.0
Bond (EMTN)*	500.0	2038	2.75%	–	–	–	–	–	500.0
Bond (EMTN)*	500.0	2023	0.88%	–	–	–	–	500.0	–
Bond (Hybrid)*	700.0	2019	4.63%	700.0	–	–	–	–	–
Commercial paper*	420.0	2019	-0.23%	420.0	–	–	–	–	–
Portfolio loans									
Berlin-Hannoversche Hypothekenbank (Landesbank Berlin) (1)*	499.4	2028	1.64%	–	–	–	–	–	499.4
Berlin Hannoversche Hypothekenbank, Landesbank Berlin and Landesbank Baden-Württemberg*	321.4	2020	3.71%	4.2	317.2	–	–	–	–
Deutsche Hypothekenbank*	162.7	2021	3.98%	5.2	5.5	152.0	–	–	–
Nordrheinische Ärzteversorgung	29.7	2022	3.49%	0.7	0.8	0.8	27.4	–	–
Norddeutsche Landesbank (2)*	32.8	2020	3.99%	2.3	30.5	–	–	–	–
	80.9	2023	3.76%	1.2	1.2	1.3	1.3	75.9	–
Mortgages	2,328.9	2043	1.49%	129.6	481.2	383.7	199.7	291.0	843.7
BUWOG:									
Mortgages	1,892.9	2029	1.97%	184.4	57.9	84.5	71.7	203.4	1,291.0
Victoria Park	82.0	2023	3.76%	1.1	1.2	1.2	1.3	1.3	75.9
Bond	58.5	2020	4.50%	–	58.5	–	–	–	–
Mortgages	872.3	2023	1.79%	32.4	165.9	327.9	163.7	0.4	182.0
	20,034.4			**2,580.0**	**2,868.7**	**1,450.2**	**2,563.8**	**2,255.6**	**8,316.1**

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

In the previous year, the maturities and average interest rates of the nominal obligations were as follows:

in € million	Nominal obligation Dec. 31, 2017	Maturity	Average interest rate	Repayment of the nominal obligations is as follows: 2018	2019	2020	2021	2022	from 2023
Bond*	600.0	2019	3.13%	–	600.0	–	–	–	–
Bond (US dollar)*	184.9	2023	4.58%	–	–	–	–	–	184.9
Bond (EMTN)*	500.0	2021	3.63%	–	–	–	500.0	–	–
Bond (EMTN)*	500.0	2022	2.13%	–	–	–	–	500.0	–
Bond (EMTN)*	500.0	2020	0.88%	–	–	500.0	–	–	–
Bond (EMTN)*	500.0	2025	1.50%	–	–	–	–	–	500.0
Bond (EMTN)*	1,250.0	2020	1.63%	–	–	1,250.0	–	–	–
Bond (EMTN)*	1,000.0	2023	2.25%	–	–	–	–	–	1,000.0
Bond (EMTN)*	500.0	2022	0.88%	–	–	–	–	500.0	–
Bond (EMTN)*	500.0	2026	1.50%	–	–	–	–	–	500.0
Bond (EMTN)*	500.0	2018	0.14%	500.0	–	–	–	–	–
Bond (EMTN)*	1,000.0	2024	1.25%	–	–	–	–	–	1,000.0
Bond (EMTN)*	500.0	2022	0.75%	–	–	–	–	500.0	–
Bond (ENTM)*	500.0	2027	1.75%	–	–	–	–	–	500.0
Bond (EMTN)*	500.0	2025	1.13%	–	–	–	–	–	500.0
Bond (ENTM)*	500.0	2019	-0.15%	–	500.0	–	–	–	–
Bond (Hybrid)	700.0	2019	4.63%	–	700.0	–	–	–	–
Commercial Paper	410.2	2018	-0.20%	410.2	–	–	–	–	–
Portfolio loans									
Berlin-Hannoversche Hypothekenbank (Landesbank Berlin)*	489.5	2018	3.10%	489.5	–	–	–	–	–
Berlin Hannoversche Hypothekenbank, Landesbank Berlin und Landesbank Baden-Württemberg*	342.9	2020	3.65%	4.2	4.2	334.5	–	–	–
Deutsche Hypothekenbank*	167.7	2021	3.98%	5.0	5.2	5.5	152.0	–	–
Nordrheinische Ärzteversorgung	31.6	2022	3.49%	0.7	0.7	0.7	0.8	28.7	–
Norddeutsche Landesbank*	35.1	2020	3.99%	2.3	2.3	30.5	–	–	–
	82.0	2023	3.76%	1.1	1.2	1.2	1.3	1.3	75.9
Mortgages	2,266.6	2046	1.65%	164.1	164.8	149.8	253.6	172.6	1,361.7
	14,060.5			**1,577.1**	**1,978.4**	**2,272.2**	**907.7**	**1,702.6**	**5,622.5**

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

The loan repayments shown for the following years contain contractually fixed minimum repayment amounts.

Of the nominal obligations to creditors, € 4,907.8 million (Dec. 31, 2017: € 2,898.9 million) are secured by land charges and other collateral (account pledge agreements, assignments, pledges of company shares and guarantees). In the event of a breach of the covenants, failure to repay or insolvency, the securities provided are used to satisfy the claims of the creditors.

The nominal interest rates on the financial liabilities to banks and other creditors are between -0.2% and 8.0% (average approx. 1.9%). The financial liabilities as a whole do not contain any significant short-term interest rate risks as they relate either to loans with long-term fixed interest rates or variable-interest liabilities that are hedged using suitable derivative financial instruments (see Chapter [42] Financial Risk Management).

Issue of Bonds Under the European Medium-Term Notes Program (EMTN)

Based on the tap issuance master agreement dated April 20, 2017, with supplements dated August 30, 2017, November 9, 2017, and January 5, 2018 (€ 15,000,000,000 debt issuance program), Vonovia issued two bonds worth € 500 million each via its Dutch financing company in January 2018. The bonds were issued at an issue price of 99.330%, a coupon of 0.75% and with a maturity of six years for one tranche, and at an issue price of 99.439%, a coupon of 1.50% and with a maturity of ten years for the other.

Based on the updated tap issuance master agreement dated March 14, 2018 (€ 20,000,000,000 debt issuance program), Vonovia issued bonds in four tranches worth € 2,100 million in total via its Dutch financing company in March 2018. The bonds were issued (1) in an amount of € 600 million at an issue price of 100.00%, with a coupon at three-month EURIBOR plus margin and a maturity of 4.75 years, (2) in an amount of € 500 million at an issue price of 99.188%, with a coupon of 1.50% and a maturity of eight years, (3) in an amount of € 500 million at an issue price of 98.967%, with a coupon of 2.125% and a maturity of twelve years and (4) in an amount of € 500 million at an issue price of 97.896%, with a coupon of 2.75% and a maturity of twenty years.

Vonovia also issued a bond worth € 500 million via its Dutch financing company on July 3, 2018. The bond was issued at an issue price of 99.437%, with a coupon of 0.875% and a maturity of five years.

Commercial Paper Program

In November 2017, Vonovia concluded a master commercial paper agreement via its Dutch financing company with a total volume of € 500 million with Commerzbank AG as lead arranger and several banks as traders. This master program was increased to a total volume of € 1,000 million in September 2018. Issues in the amount of € 420 million were outstanding under this program as of December 31, 2018.

36 Derivatives

	Dec. 31, 2017		Dec. 31, 2018	
in € million	non-current	current	non-current	current
Derivatives				
Purchase price liabilities from put options/rights to reimbursement		4.2		36.8
Cash flow hedges	8.7		15.2	
Stand-alone derivatives			54.6	
Deferred interest from derivatives		0.2		4.6
	8.7	**4.4**	**69.8**	**41.4**

Regarding derivative financial liabilities please refer to notes [41] Additional Financial Instrument Disclosures and [44] Cash Flow Hedges and Stand-alone Interest Rate Swaps.

37 Liabilities from Finance Leases

The following table shows the total minimum lease payments and the reconciliation to their present value for the Spree-Bellevue property in the amount of € 94.6 million (Dec. 31, 2017: € 94.1 million) and the finance leases for heat generation plants in the amount of € 4.8 million (Dec. 31, 2017: € 5.2 million).

	Dec. 31, 2017			Dec. 31, 2018		
in € million	Total minimum lease payments	Interest portion	Present value	Total minimum lease payments	Interest portion	Present value
Due within 1 year	4.9	0.3	4.6	5.0	0.3	4.7
Due in 1 to 5 years	26.4	4.3	22.1	26.2	4.1	22.1
Due after 5 years	204.3	131.7	72.6	198.9	126.3	72.6
	235.6	**136.3**	**99.3**	**230.1**	**130.7**	**99.4**

As part of finance leases, expenses of € 5.3 million (2017: € 5.3 million) were recognized for the Spree-Bellevue property and expenses of € 0.6 million (2017: € 0.6 million) for finance leases for heat generation plants in the fiscal year under review. As of the reporting date, there were no significant non-cancellable subtenancies on the Spree-Bellevue property.

38 Liabilities to Non-controlling Interests

The liabilities to non-controlling interests relate especially to the obligations to pay a guaranteed dividend under the valid profit-and-loss transfer agreements.

39 Financial Liabilities from Tenant Financing

The financial liabilities from tenant financing as of the reporting date include € 118.3 million (Dec. 31, 2017: € 7.7 million) in tenant financing contributions. In addition, the financial liabilities from tenant financing include € 42.5 million (Dec. 31, 2017: € 0.0 million) in maintenance and improvement contributions deposited by tenants (EVB).

40 Other Liabilities

	Dec. 31, 2017		Dec. 31, 2018	
in € million	non-current	current	non-current	current
Advance payments received	–	32.8	–	23.2
Miscellaneous other liabilities	65.3	73.1	42.5	574.6
	65.3	**105.9**	**42.5**	**597.8**

The advance payments received include on-account payments of € 18.9 million (Dec. 31, 2017: € 24.2 million) from tenants for ancillary costs after offsetting against the corresponding trade receivables.

The Annual General Meeting of BUWOG AG held on October 2, 2018, in Vienna passed a resolution on the transfer of the shares held by the minority shareholders to the main shareholder, Vonovia SE, in return for a cash settlement of € 29.05 per share (squeeze-out). As of December 31, 2018, this results in a liability in the amount of € 335.6 million.

The miscellaneous other liabilities include purchase price liabilities in the amount of € 139.1 million (Dec. 31, 2017: € 62.6 million) for the acquisition of further shares in companies that are already consolidated.

Other Notes and Disclosures

41 Additional Financial Instrument Disclosures

Measurement categories and classes: in € million	Carrying amounts Dec. 31, 2018
Assets	
Cash and cash equivalents	
Cash on hand and deposits at banking institutions	547.7
Trade receivables	
Receivables from the sale of properties	258.6
Receivables from property letting	44.4
Other receivables from trading	6.4
Receivables from sale of real estate inventories (Development)	183.7
Financial assets	
Investments valued at equity	29.1
Loans to other investments	33.4
Other non-current loans	10.2
Non-current securities	4.0
Other investments	792.1
Derivative financial assets	
Cash flow hedges (cross currency swaps)	16.3
Stand-alone interest rate swaps and interest rate caps as well as embedded derivatives	4.5
Liabilities	
Trade payables	243.5
Non-derivative financial liabilities	20,136.0
Derivative financial liabilities	
Purchase price liabilities from put options/rights to reimbursement	36.8
Stand-alone interest rate swaps and interest rate caps	54.6
Other swaps	19.8
Liabilities from finance leases	99.4
Liabilities from tenant financing	160.8
Liabilities to non-controlling interests	33.2

Amounts recognized in balance sheet in accordance with IFRS 9						
Amortized cost	Fair value affecting net income	Fair value recognized in equity with reclassification	Fair value recognized in equity without reclassification	Amounts recognized in balance sheet in acc. with IAS 17/IAS 28	Fair value Dec. 31, 2018	Fair value hierarchy level
547.7					547.7	1
258.6					258.6	2
44.4					44.4	2
6.4					6.4	2
183.7					183.7	2
				29.1	29.1	n. a.
33.4					48.1	2
10.2					15.8	2
			4.0		4.0	1
			792.1		792.1	2
	-11.0	27.3			16.3	2
	4.5				4.5	2
243.5					243.5	2
20,136.0					20,471.2	2
	36.8				36.8	3
	54.6				54.6	2
	-2.6	-17.2			19.8	2
				99.4	198.0	2
160.8					160.8	2
33.2					33.2	2

Measurement categories and classes: in € million	Measurement category in acc. with IAS 39	Carrying amounts Dec. 31, 2017
Assets		
Cash and cash equivalents		
Cash on hand and deposits at banking institutions	LaR	266.2
Trade receivables		
Receivables from the sale of properties	LaR	201.2
Receivables from property letting	LaR	32.2
Other receivables from trading	LaR	1.5
Financial assets		
Investments valued at equity	n. a.	7.0
Loans to other investments	LaR	33.5
Other non-current loans	LaR	4.3
Non-current securities	AfS	3.6
Other investments	AfS	644.7
Derivative financial assets		
Cash flow hedges (cross currency swaps)	n. a.	5.5
Liabilities		
Trade payables	FLAC	133.1
Non-derivative financial liabilities	FLAC	14,060.5
Derivative financial liabilities		
Purchase price liabilities from put options/rights to reimbursement	FLHfT	4.2
Other swaps	n. a.	8.9
Liabilities from finance leases	n. a.	99.3
Liabilities to non-controlling interests	FLAC	33.9

Loans and Receivables	LaR
Available-for-Sale financial assets	AfS
Financial Liabilities Held-for-Trading	FLHfT
Financial Liabilities measured at Amortized Cost	FLAC

	Amounts recognized in balance sheet in accordance with IFRS						
	Amortized cost	Fair value affecting net income	Fair value recognized in equity with reclassification	Fair value recognized in equity without reclassification	Amounts recognized in balance sheet in acc. with IAS 17/IAS 28	Fair value Dec. 31, 2017	Fair value hierarchylevel
	266.2					266.2	1
	201.2					201.2	2
	32.2					32.2	2
	1.5					1.5	2
					7.0	7.0	n. a.
	33.5					54.0	2
	4.3					4.3	2
				3.6		3.6	1
				644.7		644.7	2
		-11.3	16.8			5.5	2
	133.1					133.1	2
	14,060.5					14,713.7	2
		4.2				4.2	3
		-1.7	10.6			8.9	2
					99.3	203.5	2
	33.9					33.9	2

The section below provides information on the financial assets and financial liabilities not covered by IFRS 9:

> Employee benefits in accordance with IAS 19: Gross presentation of right to reimbursement arising from transferred pension obligations in the amount of € 4.7 million (December 31, 2017: € 5.3 million).
> Amount by which the fair value of plan assets exceeds the corresponding obligation: € 1.1 million (December 31, 2017: € 1.1 million).
> Provisions for pensions and similar obligations: € 520.6 million (December 31, 2017: € 513.7 million).

IFRS 13 defines fair value as a price that would be received by selling an asset or paid to transfer a liability in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market. The fair value is to be determined using valuation parameters that are as market-based as possible as inputs. The valuation hierarchy (fair value hierarchy) categorizes the inputs for the measurement technique in three levels, giving the highest priority level to the most market-based inputs:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs: valuation parameters other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable valuation parameters for the asset or liability.

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

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

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

in € million	Dec. 31, 2018	Level 1	Level 2	Level 3
Assets				
Investment properties	43,490.9			43,490.9
Financial assets				
Non-current securities	4.0	4.0		
Other investments	792.1	672.8	119.3	
Assets held for sale				
Investment properties (contract closed)	105.9		105.9	
Derivative financial assets				
Cash flow hedges (cross currency swaps)	20.8		20.8	
Liabilities				
Derivative financial liabilities				
Purchase price liabilities from put options/rights to reimbursement	36.8			36.8
Cash flow hedges	19.8		19.8	
Stand-alone derivatives	54.6		54.6	

in € million	Dec. 31, 2017	Level 1	Level 2	Level 3
Assets				
Investment properties	33,182.8			33,182.8
Financial assets				
Non-current securities	3.6	3.6		
Other investments	644.7	613.3	31.4	
Assets held for sale				
Investment properties (contract closed)	142.6		142.6	
Derivative financial assets				
Cash flow hedges (cross currency swaps)	5.5		5.5	
Liabilities				
Derivative financial liabilities				
Purchase price liabilities from put options/rights to reimbursement	4.2			4.2
Cash flow hedges	8.9		8.9	

In general, Vonovia measures its investment properties on the basis of the discounted cash flow (DCF) methodology (Level 3). The material valuation parameters and valuation results can be found in note [23] "Investment Properties."

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

No financial instruments were reclassified to different hierarchy levels as against the comparative period.

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

For the measurement of financial instruments, cash flows are initially calculated and then discounted. In addition to the tenor-specific EURIBOR/STIBOR rates (3M; 6M), the respective credit risk is taken as a basis for discounting. Depending on the expected cash flows, either Vonovia's own credit risk or the counterparty risk is taken into account in the calculation.

For the consolidated financial statements, Vonovia's own credit risk, in principle, was relevant for interest rate swaps. This credit risk is derived for material risks from rates observable on the capital markets and ranges of between 40 and 180 basis points, depending on the residual maturities of financial instruments. Regarding the positive market values of the cross currency swaps, a counterparty risk of 90 basis points was taken into account.

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

The fair values of the cash and cash equivalents, trade receivables as well as other financial receivables approximate their carrying amounts at the reporting date owing to their mainly short maturities. The amount of the estimated impairment loss on cash and cash equivalents was calculated based on the losses expected over a period of twelve months. It was determined that the cash and cash equivalents have a low risk of default due to the external ratings and short residual maturities and that there is no need for any material impairment of cash and cash equivalents.

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

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

		Change in	Change			
in € million	As of Jan. 1	Scope of consolidation	affecting net income	cash effective	not affecting net income	As of Dec. 31
2018						
Purchase price liabilities from put options/rights to reimbursement	4.2	35.2	-1.1	-	-1.5	**36.8**
2017						
Purchase price liabilities from put options/rights to reimbursement	**57.2**	10.1	-13.9	-1.3	-47.9	**4.2**

The change in the scope of consolidation relates to put options for shares held by minority shareholders as part of the first-time consolidation of BUWOG.

For further information, we refer to note [4] "Scope of Consolidation and Business Combinations."

The sensitivity analysis has shown that if the value of the company deviates by 10% in each case, the purchase price liability from put options granted as of the reporting date would differ by € +3.7 million or € -3.6 million (Dec. 31, 2017: € +0.4 million or € -0.4 million). The changes would be recognized in full in net interest.

in € million	From interest	Income from other non-current loans	Dividends from other investments	From subsequent measurement: Impairment losses	Derecognized receivables	Derecognized liabilities	Financial result affecting income 2018	Measurement cash flow hedges	Measurement financial instruments categorized as equity instruments	Total financial result 2018
2018										
Debt instruments carried at (amortized) cost	3.5	2.2	–	21.6	18.9	–	46.2			46.2
Debt instruments measured at FV through P&L	–	–	23.1	–	–	–	23.1			23.1
Derivatives measured at FV through P&L with reclassification	-29.7	–	–	–	–	–	-29.7			-29.7
Debt instruments measured at FVOCI with reclassification	–	–	–	–	–	–	–	3.5		3.5
Equity instruments measured at FVOCI without reclassification	–	–	–	–	–	–	–		60.0	60.0
Financial liabilities measured at (amortized) cost	-401.4	–	–	–	–	0.9	-400.5			-400.5
	-427.6	**2.2**	**23.1**	**21.6**	**18.9**	**0.9**	**-360.9**	**3.5**	**60.0**	**-297.4**

in € million	From interest	Income from other non-current loans	Dividends from other investments	From subsequent measurement: Impairment losses	Derecognized receivables	Derecognized liabilities	Financial result affecting income 2017	Measurement cash flow hedges	Measurement financial instruments categorized as equity instruments	Total financial result 2017
2017										
Debt instruments carried at (amortized) cost	2.5	1.6	–	-22.2	1.3	–	-16.8			-16.8
Debt instruments measured at FV through P&L	-1.3	–	20.1	–	–	–	18.8			18.8
Derivatives measured at FV through P&L with reclassification	–	–	–	–	–	–	–	31.8		31.8
Debt instruments measured at FVOCI with reclassification	–	–	–	–	–	–	–		133.4	133.4
Equity instruments measured at FVOCI without reclassification	-314.5	–	–	–	–	0.9	-313.6			-313.6
Financial liabilities measured at (amortized) cost	**-313.3**	**1.6**	**20.1**	**-22.2**	**1.3**	**0.9**	**-311.6**	**31.8**	**133.4**	**-146.4**

42 Financial Risk Management

In the course of its business activities, Vonovia is exposed to various financial risks. The Group-wide financial risk management system aims to identify any potentially negative impact on the financial position of the Group early on and take suitable measures to limit this impact. For the structure and organization of financial risk management, we refer to the management report (chapter "Structure and Instruments of the Risk Management System"). This system was implemented on the basis of Group guidelines, which were approved by the Management Board and which are continually reviewed. The risks associated with financial instruments and the corresponding risk management are described in detail as follows:

Market Risks

a) Currency Risks

The cash-effective currency risks arising in connection with the still existing USD bond were eliminated by the simultaneous contracting of cross currency swaps. Fixed and expected purchase price payments in connection with the acquisition of Victoria Park were secured through the conclusion of foreign currency forwards. In addition, currency fluctuations from the operating business in Swedish kronor (SEK) are to be expected. Vonovia is subject to no further material currency risks in the scope of its usual business activities.

b) Interest Rate Risks

In the course of its business activities, Vonovia is exposed to cash-effective interest rate risks as a result of floating-rate debt as well as new and follow-on loans. Within this context, the interest markets are continually monitored by the Finance and Treasury department. Its observations are incorporated into the financing strategy.

As part of its financing strategy, Vonovia uses derivative financial instruments, in particular EUR interest rate swaps and caps, to limit or manage interest rate risks. Vonovia's policies permit the use of derivatives only if they are associated with underlying assets or liabilities, contractual rights or obligations and planned, highly probable transactions.

Preceding this chapter, there is a sensitivity analysis with regard to purchase price liabilities from put options. A sensitivity analysis for cash flow hedges is provided under note [44] Cash Flow Hedges and Stand-alone Interest Rate Swaps.

Credit Risks

Vonovia is exposed to a default risk resulting from the potential failure of a counterparty to fulfill its part of the contract. In order to minimize risks, financial transactions are only executed with banks and partners whose credit rating has been found by a rating agency to be at least equivalent to Vonovia's. These counterparties are assigned volume limits set by the Management Board. The counterparty risks are managed and monitored centrally by the Finance and Treasury department.

Liquidity Risks

The companies of Vonovia are financed by borrowings to a notable degree. Due to their high volume, the loans are in some cases exposed to a considerable refinancing risk. The liquidity risks arising from financing transactions with high volumes (volume risks) have become apparent in the financial sector, especially in the wake of the financial crisis. In order to limit these risks, Vonovia is in constant contact with many different market players, continuously monitors all financing options available on the capital and banking markets and uses these options in a targeted manner. Moreover, Vonovia subjects its existing financings to an early review prior to the respective final maturity date in order to ensure refinancing.

Under the conditions of existing loan agreements, Vonovia is obliged to fulfill certain financial covenants such as the debt service coverage ratio or debt-equity ratio. If financial covenants are violated, the breach is not rectified within so-called cure periods and no mutually acceptable agreement can be reached with the lenders, the financing may be restructured and the cost structure changed. Should all commonly practiced solutions be unsuccessful, the lenders could call in the loan. The fulfillment of these financial covenants is continually monitored by Finance and Treasury on the basis of current actual figures and budgetary accounting.

In order to ensure its ability to pay at all times, Vonovia has put a system-supported cash management system in place. This system monitors and optimizes Vonovia's cash flows on an ongoing basis and provides the Management Board with regular reports on the Group's current liquidity situation. Liquidity management is supplemented by short-term rolling, monthly liquidity planning for the current fiscal year, of which the Management Board is also promptly notified.

The following table shows the forecast for undiscounted cash flows of the non-derivative financial liabilities and derivative financial instruments for the 2018 reporting year.

The loan repayments shown for the following years contain only contractually fixed minimum repayment amounts:

		2019		2020		2021 to 2025	
in € million	**Carrying amount as of Dec. 31, 2018**	Interest	Repayment	Interest	Repayment	Interest	Repayment
Non-derivative financial liabilities							
Liabilities to banks	5,200.1	94.2	325.0	88.7	1,026.3	263.8	2,960.5
Liabilities to other creditors	14,816.0	134.6	2,255.0	195.2	1,842.4	616.8	6,972.4
Deferred interest from other non-derivative financial liabilities	119.9	119.9	–	–	–	–	–
Liabilities from finance leases	99.4	5.8	–	9.8	–	26.9	–
Financial liabilities from tenant financing	–	–	104.7	–	1.9	–	9.5
Derivative financial liabilities							
Purchase price liabilities from put options/rights to reimbursement	36.8	–	0.7	–	2.2	–	33.9
Cash flow hedges stand-alone interest rate derivatives	65.6	22.7	–	22.0	–	67.8	–
Cash flow hedges (cross currency swap) USD in €	-15.7	-10.4	–	-10.4	–	-31.3	-185.0
€		8.5	–	8.5	–	25.4	185.0
Deferred interest from swaps	3.8	3.8					

		2018		2019		2020 to 2024	
in € million	**Carrying amount as of Dec. 31, 2017**	Interest	Repayment	Interest	Repayment	Interest	Repayment
Non-derivative financial liabilities							
Liabilities to banks	3,205.0	62.6	655.5	58.3	157.1	156.3	1,426.5
Liabilities to other creditors	10,778.7	102.7	921.4	178.3	1,821.3	600.3	6,018.2
Deferred interest from other non-derivative financial liabilities	76.8	76.8	–	–	–	–	–
Liabilities from finance leases	99.3	5.9	–	5.9	–	31.3	–
Derivative financial liabilities							
Purchase price liabilities from put options/rights to reimbursement	4.2	–	–	–	–	–	4.2
Cash flow hedges (interest)	8.7	3.8	–	3.0	–	10.2	–
Cash flow hedges (cross currency swap) USD in €	-5.0	-10.3	–	-10.0	–	-38.0	-183.0
€		8.5	–	8.5	–	33.9	184.9
Deferred interest from swaps	-0.3	-0.3	–	–	–	–	–

In April 2014, Vonovia issued a subordinated hybrid bond with terms and conditions stating that the issuer has its first special right of termination after five years. In line with the principle of prudence, the nominal value of these bonds has been recognized in the repayments from the year 2019, although the contractual term extends well beyond this period.

Credit Line

The framework loan agreements with Commerzbank and Société Générale concluded in December 2017, each with a volume of € 250 million, were terminated with effect from October 4, 2018. Vonovia has concluded a syndicated revolving credit facility of € 1,000 million with several banks, led by Commerzbank AG, via its Dutch financing company to replace these loan agreements. This unsecured credit line runs until October 2021 and is subject to interest on the basis of EURIBOR plus a mark-up. This credit line had not been used as of December 31, 2018.

Within the BUWOG subsidiaries, project-specific credit lines with various credit institutions were available in the amount of € 316.6 million on the reporting date, with € 62.3 million available for alternative use as a guarantee line. The nominal amount of these agreements totals € 609.7 million. These credit lines can be utilized based on the progress of the construction work, provided that corresponding evidence is furnished, taking the contractually agreed payment requirements into account.

Furthermore, there are two guarantee lines in place between Vonovia and Commerzbank, one for € 10 million, from which bills of exchange of approximately € 4.3 million had been drawn as of the end of the fiscal year, and one for € 50 million, from which bills of exchange had been drawn in the full amount. There are further guarantee credit lines within the conwert subgroup, namely with Raiffeisen Bank International AG in the amount of € 5 million and with Landesbank Baden-Württemberg in the amount of € 0.75 million. Approximately € 0.15 million of the latter had been drawn as of December 31, 2017. In addition, Commerzbank has issued Vonovia a bank guarantee of around € 334.4 million to secure the cash settlement entitlements of the minority shareholders of BUWOG AG as part of the squeeze-out.

Within the BUWOG subportfolio, there are four guarantee lines that can be used on a revolving basis and that correspond to a total amount of € 48 million with UniCredit Bank Austria AG, Atradius Credit Insurance N.V., Swiss Re International SE and VHV Allgemeine Versicherung AG. As of December 31, 2018, € 17.8 million of these guarantee lines had been used. In addition, four project-specific development financing arrangements with Berliner Volksbank eG, Berliner Sparkasse AG, HypoVereinsbank UniCredit Bank AG and UniCredit Bank Austria AG allow for the possibility of making use of bills of exchange, bonds and/or guarantees. On the reporting date, bills of exchange of € 6.6 million had been used. In addition, there are lines in the amount of € 18.6 million available at at least one of the credit institutions referred to above for project-specific payment guarantees, € 18.0 million of which had been used by the balance sheet date.

In November 2017, Vonovia concluded a master commercial paper agreement via its Dutch financing company with a total volume of € 500 million with Commerzbank AG as lead arranger and several banks as traders. This master program was increased to a total volume of € 1,000 million in September 2018. Issues in the amount of € 420 million were outstanding under this program as of December 31, 2018.

All in all, Vonovia has cash on hand and deposits at banking institutions of € 547.7 million on the reporting date (Dec. 31, 2017: € 266.2 million). The master credit agreements/the commercial paper program, together with the cash on hand, guarantee Vonovia's ability to pay at all times.

We refer to the information on financial risk management in the management report.

43 Capital Management

Vonovia's management aims to achieve a long-term increase in value in the interests of customers, employees and investors. Within this context, maintaining a degree of financial flexibility in order to be able to pursue the company's growth and portfolio optimization strategy is crucial. This is why Vonovia's capital management focuses on ensuring our investment grade rating. The priority is to ensure sufficient liquidity resources and maintain an efficient ratio between secured and non-secured capital components.

As part of the opportunities and risk management of Vonovia, the members of the Management Board are given monthly reports on the development of results and their potential effects on the capital structure.

The equity situation of the subsidiaries is regularly examined.

Vonovia's equity developed as follows:

in € million	Dec. 31, 2017	Dec. 31, 2018
Total equity	16,691.2	19,664.1
Total assets	37,516.3	49,387.6
Equity ratio	44.5%	39.8%

Vonovia plans to continue funding possible acquisitions by an optimal mix of debt capital and equity.

In order to protect itself against changes in exchange rates and interest rates, Vonovia regularly contracts derivative hedging transactions in the case of liabilities with variable interest rates or liabilities in foreign currencies. The Finance and Treasury department is responsible for implementing the approved financing strategy.

44 Cash Flow Hedges and Stand-alone Interest Rate Swaps

On the reporting date, the nominal volume of cash flow hedges held in euros amounts to € 680.9 million (Dec. 31, 2017: € 582.0 million). The interest rates on the two remaining hedging instruments are 0.793% and 3.760% with original swap periods of 4.75 and 10 years.

In connection with the € 600 million bond with a variable coupon issued in March 2018, the company has used a corresponding interest rate hedging transaction to fix the interest rate at 0.793% for 4.75 years.

In line with the planned early repayment of the corporate bond that fell due in September 2018 with a variable coupon of € 500 million, the corresponding interest rate hedge was also terminated.

For the three hedging instruments that are maintained within a so-called passive hedge account, € 9.6 million was reclassified to profit or loss in the reporting year in line with the expected cash flows from the underlying hedged items. This reduced the value recognized under other comprehensive income to € 47.6 million.

All derivatives are included in netting agreements with the issuing banks. Whereas the cross currency swaps were all recognized with positive market values, basically the euro interest rate swaps have an inherently negative market value as of the reporting date. No economic or accounting offsetting was performed in the reporting year.

Key parameters of the interest rate swaps were as follows:

in € million	Face value	Beginning of term	End of term	Current average interest rate (incl. margin)
Bonds (EMTN)				
Hedged items	600.0	Mar. 22, 2018	Dec. 22, 2022	3-M-EURIBOR margin 0,45%
Interest rate swaps	600.0	Mar. 22, 2018	Dec. 22, 2022	0.793%
Norddeutsche Landesbank (2)				
Hedged items	80.9	June 28, 2013	June 30, 2023	3-M-EURIBOR margin 1.47%
Interest rate swaps	80.9	June 28, 2013	June 30, 2023	2.290%

In 2013, two cross currency swaps were contracted in equal amounts with each of J.P. Morgan Limited and Morgan Stanley Bank International Limited; these hedging instruments (cross currency swaps/CCS) became effective on the issuance of two bonds for a total amount of USD 1,000 million. The CCS, each for an amount of USD 375 million, fell due in October 2017 in line with the bonds. The hedging instruments, each for an amount of USD 125 million, originally had a term of ten years. This means that the EUR/USD currency risk resulting from the coupon and capital repayments was eliminated for the entire term of the bonds.

Key parameters of the cross currency swaps were as follows:

in € million	Face value US-$	Face value €	Beginning of term	End of term	Interest rate US-$	Interest rate €	Hedging rate US-$/€
J.P. Morgan Securities plc Morgan Stanley & Co. International plc							
Hedged items	250.0	184.9	Oct. 2, 2013	Oct. 2, 2023	5.00%		
CCS	250.0	184.9	Oct. 2, 2013	Oct. 2, 2023		4.58%	1.3517

In connection with the acquisition of the BUWOG Group as of March 26, 2018, 22 stand-alone interest rate swaps with a nominal volume of € 918.9 million were assumed. In the course of the reporting year, one hedging instrument with a volume of € 24.2 million was terminated at due date, while another with a volume of € 3.5 million was terminated prematurely. As of December 31, 2018, the hedged nominal volume was € 880.2 million.

In connection with the acquisition of the Victoria Park Group as of June 28, 2018, 13 stand-alone interest rate swaps and 6 interest rate caps with a nominal volume of € 415.7 million were assumed. In the course of the reporting year, one interest rate cap (€ 24 thousand) was terminated on the one hand while, on the other, respectively two new interest rate swaps and interest rate caps (in a total amount of about € 0.1 million) were concluded. In addition, at the time of first-time consolidation, 14 embedded derivatives (loan termination rights) with a positive fair value of € 4.5 million had still been identified. The nominal value hedged in Swedish kronor corresponds to a volume of € 497.0 million as of the reporting date.

The designation of the cash flow hedges as hedging instruments is prospectively determined on the basis of a sensitivity analysis, retrospectively on the basis of the accumulated dollar offset method. The fair value changes of the hedged items are determined on the basis of the hypothetical derivative method. In the reporting year – as in the prior year – the impact of default risk on the fair values is negligible and did not result in any adjustments of the balance sheet item.

In the reporting year, the cash flow hedges held in euros were shown at their negative clean fair values totaling € -15.2 million as of December 31, 2018 (Dec. 31, 2017: € -8.7 million). The corresponding deferred interest amounted to € -4.6 million (Dec. 31, 2017: € -0.2 million). At the same time, positive market values from cross currency swaps in the amount of € 15.7 million (Dec. 31, 2017: € 5.0 million), together with positive market values in the amount of € 4.3 million from embedded derivatives and other interest rate derivatives of Victoria Park were disclosed. The corresponding deferred interest amounted to € 0.8 million (Dec. 31, 2017: € 0.5 million).

The impact of the cash flow hedges (after income taxes) on the development of other reserves is shown below:

		Changes in the period		Reclassification affecting net income		
in € million	As of Jan. 1	Changes CCS	Other	Currency risk	Interest risk	As of Dec. 31
2018	-68.9	7.0	-3.6	-6.7	8.8	**-63.3**
2017	-93.2	-117.4	6.6	126.1	9.0	**-68.9**

The impact of the cash flow hedges (including income taxes) on total comprehensive income is shown below:

Cashflow Hedges

in € million	2017	2018
Change in unrealized gains/losses	-168.0	0.4
Taxes on the change in unrealized gains/losses	57.3	3.0
Net realized gains/losses	199.8	3.1
Taxes on net realized gains/losses	-64.7	-1.0
Total	**24.4**	**5.5**

In the reporting year, after allowing for deferred taxes, negative cumulative ineffectiveness amounts to € 2.7 million (2017: € 4.6 million), improving net interest by € 1.9 million.

On the basis of the valuation as of December 31, 2018, Vonovia used a sensitivity analysis to determine the change in equity given a parallel shift in the interest rate structure of 50 basis points in each case:

in € million	Change in equity		
	Other reserves not affecting net income	Ineffective portions affecting net income	Total
2018			
+ 50 basis points	8.1	23.4	**31.5**
- 50 basis points	-5.9	-41.1	**-47.0**
2017			
+ 50 basis points	2.2	–	**2.2**
- 50 basis points	-2.2	–	**-2.2**

A further sensitivity analysis showed that a change in the foreign currency level of -5% (+5%) would lead, after allowance for deferred taxes, to a change in the other reserves not affecting net income of € -1.5 million (or € +1.3 million), while ineffectiveness affecting net income in the amount of € +1.0 million (or € -1.0 million) would result at the same time. In the previous year, a change in the other reserves not affecting net income of € -1.6 million (or € +0.6 million) was recognized in connection with ineffectiveness affecting net income in the amount of € +1.4 million (or € -0.6 million).

45 Information on the Consolidated Statement of Cash Flows

The statement of cash flows shows how Vonovia's cash has changed during the reporting year as a result of cash inflows and outflows. In accordance with IAS 7 (Statement of Cash Flows), a distinction is made between changes in cash flow from operating activities, investing activities and financing activities.

The cash flow from operating activities is determined from the profit for the period using the indirect method, the profit for the period being adjusted for effects of transactions that are not cash-effective, any deferrals or accruals of past or future operating cash receipts or payments as well as items of income or expense associated with investing or financing cash flows.

The effects of changes in the scope of consolidation are shown separately. Therefore, direct comparison with the corresponding changes in the items of the consolidated balance sheet is not possible.

The proceeds from the disposal of intangible assets, property, plant and equipment and investment properties are shown in cash flow from investing activities.

Exercising the IAS 7 option, interest received is shown under cash flow from investing activities and interest paid is shown under cash flow from financing activities.

The item "Payments for acquisition of investment properties" mainly shows expenses for modernization measures.

46 Contingent Liabilities

Contingent liabilities exist for cases in which Vonovia SE and its subsidiaries give guarantees to various contractual counterparts. The terms are in many cases limited to an agreed time. In some cases, the term is unlimited.

Contingent liabilities of Vonovia are as follows:

in € million	Dec. 31, 2017	Dec. 31, 2018
Guarantees in connection with Development	–	42.9
Payment guarantees	–	7.9
Rent surety bonds	0.9	1.3
Other	7.0	5.9
	7.9	**58.0**

The increase in contingent liabilities is primarily due to guarantees in connection with the Development business that was added to Vonovia's portfolio in connection with the acquisition of the BUWOG Group. These mainly relate to guarantees resulting from the ordinary course of business issued in accordance with corresponding national regulations.

Vonovia is involved in legal disputes resulting from normal business activities. These relate, in particular, to tenancy law, distribution law and construction law disputes, as well as company law proceedings relating to acquired participating interests. None of the legal disputes, taken in isolation, will have any material effects on the net assets, financial position or results of operations of Vonovia.

47 Other Financial Obligations

The future minimum lease payment obligations resulting from non-cancellable operating leases are due as follows:

Total minimum lease payments

in € million	End of contract term	Due within 1 year	Due in 1 to 5 years	Due after 5 years	Total
Dec. 31, 2018					
Rents	2019–2024	10.6	18.0	5.5	34.1
Lease contracts	2019–2022	10.5	7.7	–	18.2
Leasehold contracts	2019–2109	13.4	53.6	552.4	619.4
		34.5	**79.3**	**557.9**	**671.7**
Dec. 31, 2017					
Rents	2018–2022	3.9	7.0	–	10.9
Lease contracts	2018–2021	12.9	15.3	–	28.2
Leasehold contracts	2018–2206	9.4	37.8	399.5	446.7
		26.2	**60.1**	**399.5**	**485.8**

Payments of € 39.9 million (2017: € 29.7 million) under rental, tenancy and lease contracts were recognized as expenses in the reporting period.

The Vonovia leasehold contracts generally have a term of 99 years. The average remaining term of these contracts was approx. 43 years as of December 31, 2016. The owners of inheritable building rights are in particular the German state, church institutions, German federal states, municipalities and Deutsche Post AG, Bonn.

In addition to obligations under operating leases, other financial obligations include:

in € million	Dec. 31, 2017	Dec. 31, 2018
Other financial obligations		
Cable TV service contracts	323.7	295.7
IT service contracts	14.6	41.9
Supply contracts	–	13.9
Surcharges under the German Condominium Act	3.1	4.5
Other	–	4.0
	341.4	**360.0**

The obligations under cable TV service contracts are set against future income from the marketing of the cable TV service. The caretaker service contracts were gradually terminated and assumed by Vonovia's own craftsmen's organization.

48 Segment Reporting

Vonovia is an integrated residential real estate company with operations across Europe. The company's strategy is focused on sustainably increasing the value of the company. This is achieved by managing the company's own portfolio with a view to enhancing its value, investing in existing properties in order to create value, building new residential buildings and selling individual apartments, as well as by engaging in active portfolio management and offering property-related services. For the purposes of managing the company, we make a distinction between four segments: **Rental, Value-add, Recurring Sales and Development.** We also report the **Other segment,** which is not relevant from a corporate management perspective, in our segment reporting. This includes the disposal, only as and when the right opportunities present themselves, of entire buildings or land (Non-Core Disposals) that are likely to have below-average development potential in terms of rent growth in the medium term and are located in areas that can be described as peripheral compared with Vonovia's overall portfolio and in view of future acquisitions.

The **Rental segment** combines all of the business activities that are aimed at the value-enhancing management of our own residential real estate. It includes our property management activities in Germany, Austria and Sweden. The consolidation of our property management activities in Germany, Austria and Sweden to form one single reporting segment is based on the similarities that we see in the property management business in these three countries. This applies both to the way in which services are provided and the individual service processes that form part of the property management business, as well as to the customers in the residential rental market and the type of customer acquisition used. Overall, the residential rental market in all three countries is characterized by a shortage of housing and is regulated by statutory requirements, resulting in return expectations that are similar in the long term.

The **Value-add segment** (formerly known as "Value-add Business") bundles all of the housing-related services that we have expanded our core rental business to include. These services include both the maintenance and modernization work on our properties and services that are closely related to the rental business. We allocate the activities relating to the craftsmen's and residential environment organization, the condominium administration business, the cable TV business, metering services, energy supplies and our insurance services to the Value-add segment. Energy supply is a new service that we have been offering our tenants since 2018.

The **Recurring Sales segment** (formerly part of the "Sales" segment) includes the regular and sustainable disposals of individual condominiums and single-family houses from our portfolio. It does not include the sale of entire buildings or land (Non-Core Disposals). These properties are only sold as and when the right opportunities present themselves, meaning that the sales do not form part of the Recurring Sales segment. We report these opportunistic sales in the Other column of the segment report. In the previous reporting period, Recurring Sales and Non-Core Disposals were shown combined in the Sales segment. As a result, the prior-year figures have been adjusted accordingly for the current reporting period.

The **Development segment** encompasses the project development of new residential buildings. This covers the value chain starting with the purchase of land without any development plan/dedicated purpose and ending with the completion of new buildings and new construction measures on our own properties. These properties are either incorporated into our own portfolio or sold to third parties. The Development segment deals with projects in selected attractive locations. Project development work is currently focusing on Berlin, Hamburg and Vienna. The Adjusted EBITDA of the Development segment includes the fair value step-up for properties that were completed in the reporting period and have been added to our own portfolio. As far as the prior-year reporting period is concerned, a fair value step-up is shown for those new buildings that fell within the sphere of responsibility of the Value-add segment in organizational terms. The segment reporting for 2017 does not yet show any fair value step-ups for new buildings in the Adjusted EBITDA.

A Group-wide planning and controlling system ensures that resources are efficiently allocated and their successful use is monitored on a regular basis. Reporting to the chief decision-makers and thus the assessment of business performance as well as the allocation of resources are performed on the basis of this segmentation. Asset and liability items are not reported separately by segment. Internal reporting is based on the IFRS reporting standards in general.

The Management Board as chief decision-makers of Vonovia monitor the contribution made by the segments to the company's performance on the basis of the segment revenue as well as the Adjusted EBITDA. The **Adjusted EBITDA Total** represents the **Group's adjusted earnings** before interest, taxes, depreciation and amortization adjusted for items that are not related to the period, recur irregularly or that are atypical for business operation and excluding effects from adjustments in value of investment properties.

The following table shows the segment information for the reporting period:

in € million	Rental	Value-add	Recurring Sales	Develop-ment	Segments total	Other*	Consolida-tion*	Group
Jan. 1 – Dec. 31, 2018								
Segment income	1,894.2	1,462.2	356.1	225.1	3,937.6	741.4	-648.2	4,030.8
thereof external income	1,894.2	203.9	356.1	225.1	2,679.3	741.4	610.1	4,030.8
thereof internal income		1,258.3			1,258.3	–	-1,258.3	
Carrying amount of assets sold			-298.5		-298.5	-635.2		
Revaluation from disposal of assets held for sale			35.7		35.7	32.3		
Expenses for maintenance	-289.7				-289.7			
Production costs development				-181.8	-181.8			
Operating expenses	-289.4	-1,341.0	-14.2	-22.6	-1,667.2	-9.3	609.4	
Net income from fair value adjust-ments of new construction/develop-ment to hold				18.7	18.7		-18.7	
Adjusted EBITDA Total	1,315.1	121.2	79.1	39.4	1,554.8	129.2	-57.5	1,626.5
Non-recurring items								-106.6
Period adjustments from assets held for sale								0.5
Income from investments in other real estate companies								14.0
EBITDA IFRS								1,534.4
Net income from fair value adjust-ments of investment properties								3,517.9
Depreciation and amortization								-737.9
Income from other investments								-23.1
Financial income								32.1
Financial expenses								-449.1
EBT								3,874.3
Income taxes								-1,471.5
Profit for the period								**2,402.8**

* The income for the Rental, Value-add, Recurring Sales and Development segments constitutes income that is regularly reported to the Management Board as the chief operating decision-maker and that reflects Vonovia's sustainable business. The income/costs in the "Other" and "Consolidation" columns do not form part of the Management Board's segment management.

in € million	Rental	Value-add	Recurring Sales	Develop-ment	Segments total	Other*	Consolida-tion*	Group
Jan. 1 - Dec. 31, 2017								
Segment income	1,667.9	1,170.5	305.9	–	3,144.3	900.5	-446.8	3,598.0
thereof external income	1,667.9	161.6	305.9	–	2,135.4	900.5	562.1	3,598.0
thereof internal income	–	1,008.9	–	–	1,008.9	–	-1,008.9	
Carrying amount of assets sold			-265.7	–	-265.7	-870.3		
Revaluation from disposal of assets held for sale			35.1		35.1	35.4		
Expenses for maintenance	-258.0				-258.0			
Production costs development					–			
Operating expenses	-261.2	-1,068.4	-13.1	–	-1,342.7	-15.7	418.9	
Net income from fair value adjustments of new construction/development to hold				6.7	6.7		-6.7	
Adjusted EBITDA Total	1,148.7	102.1	62.2	6.7	1,319.7	49.9	-34.6	1,335.0
Non-recurring items								-86.9
Period adjustments from assets held for sale								10.7
Income from investments in other real estate companies								13.0
EBITDA IFRS								1,271.8
Net income from fair value adjustments of investment properties								3,434.1
Depreciation and amortization								-372.2
Income from other investments								-20.1
Financial income								46.8
Financial expenses								-353.0
EBT								4,007.4
Income taxes								-1,440.5
Profit for the period								**2,566.9**

* The income for the Rental, Value-add, Recurring Sales and Development segments constitutes income that is regularly reported to the Management Board as the chief operating decision-maker and that reflects Vonovia's sustainable business. The income/costs in the "Other" and "Consolidation" columns do not form part of the Management Board's segment management. The Sales segment reported in the previous year has been split into Recurring Sales and Non-Core Disposals (shown under "Other") and the costs associated with the transaction holding area have been allocated to the Rental segment.

To show the development of operating performance and to ensure comparability with previous periods, we calculate Adjusted EBITDA for each of our segments: Rental, Value-add, Recurring Sales and Development. The total of these key figures produces the Group's Adjusted EBITDA Total. The adjustments made include items that are not related to the period, items that recur irregularly and items that are atypical for business operation. The non-recurring items include the expenses for pre-retirement part-time work arrangements and severance payments, the development of new fields of business and business processes, acquisition projects including integration costs and expenses for refinancing and equity increases (where not treated as capital procurement costs).

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

in € million	Jan. 1 - Dec. 31, 2017	Jan. 1 - Dec. 31, 2018
Severance payments/pre-retirement part-time work arrangements	13.9	18.3
Business model optimisation/development of new fields of business	22.5	0.8
Acquisition costs incl. integration costs*	48.9	87.8
Refinancing and equity measures	1.6	-0.3
Total non-recurring items	**86.9**	**106.6**

* Including takeover costs and one-time expenses in connection with acquisitions, such as HR measures relating to the integration process. Figures for the previous year shown in line with the current reporting structure for 2018.

In the 2018 fiscal year, the **non-recurring items** eliminated in the Adjusted EBITDA as a whole came to € 106.6 million, up 22.7% on the prior-year value of € 86.9 million. The acquisition costs including integration costs for 2018 include € 20.0 million for acquisitions in earlier years, which are offset against tax income in the same amount, meaning that they do not affect the profit for the period. Taking this into account, the non-recurring items in the fiscal year came to € 86.6 million, on a par with the prior-year value of € 86.9 million.

The breakdown of non-Group revenue from contracts with customers (pursuant to IFRS 15.114f) and its allocation to the segments referred to above is as follows:

in € million	Rental	Value-add	Recurring Sales	Development	Other	Total
Jan. 1 – Dec. 31, 2018						
Revenue from ancillary costs (IFRS 15)	685.2	0.9	–	–	–	686.1
Income from the disposal of investment properties	–	–	186.0	–	575.4	761.4
Income from disposal of real estate inventories (Development)	–	–	–	225.1	–	225.1
Other revenue from contracts with customers	14.6	45.7				60.3
Revenue from contracts with customers	**699.8**	**46.6**	**186.0**	**225.1**	**575.4**	**1,732.9**
thereof period-related				58.1		58.1
thereof time-related income	763.8	46.6	186.0	167.0	575.4	1,738.8
Income from rental income (IAS 17)	1,894.2	3.6	–	–	–	1,897.8
Revenue from ancillary costs (IAS 17)	64.0	–	–	–	–	64.0
Income from sale of assets held for sale (IFRS 5)	–	–	170.1	–	166.0	336.1
Other revenue	**1,958.2**	**3.6**	**170.1**	**–**	**166.0**	**2,297.9**
Revenues	**2,658.0**	**50.2**	**356.1**	**225.1**	**741.4**	**4,030.8**

in € million	Rental	Value-add	Recurring Sales	Development	Other	Total
Jan. 1 – Dec. 31, 2017						
Revenue from ancillary costs (IFRS 15)	610.5	0.1	–	–	–	610.6
Income from the disposal of investment properties	–	–	122.2	–	344.7	466.9
Income from disposal of real estate inventories (Development)	–	–	–	–	–	–
Other revenue from contracts with customers	15.4	32.2	–	–	–	47.6
Revenue from contracts with customers	**625.9**	**32.3**	**122.2**	**–**	**344.7**	**1,125.1**
thereof period-related	–	–	–	–	–	–
thereof time-related income	625.9	32.3	122.2	–	344.7	1,125.1
Income from rental income (IAS 17)	1,667.9	4.2	–	–	–	1,672.1
Revenue from ancillary costs (IAS 17)	61.3	–	–	–	–	61.3
Income from sale of assets held for sale (IFRS 5)	–	–	183.7	–	555.8	739.5
Other revenue	**1,729.2**	**4.2**	**183.7**	**–**	**555.8**	**2,472.9**
Revenues	**2,355.1**	**36.5**	**305.9**	**–**	**900.5**	**3,598.0**

External income and non-current assets, excluding financial instruments, deferred taxes, post-employment benefits and rights under insurance contracts, are distributed among Vonovia's country of origin and other countries as follows. The revenue is allocated based on the registered office of the unit providing the service.

	External income		Assets	
in € million	2018	2017	2018	2017
Germany	3,598.6	3,249.1	42,670.5	36,147.7
Austria	345.9	341.7	2,789.5	549.4
Sweden	59.5	0.0	1,977.0	0.0
France	0.0	0.0	87.0	0.0
Other countries	26.8	7.2	61.5	12.2
Total	**4,030.8**	**3,598.0**	**47,585.5**	**36,709.3**

49 Related Party Transactions

Vonovia had business relationships with unconsolidated subsidiaries in the 2018 fiscal year. These transactions generally resulted from the normal exchange of deliveries and services and are shown in the table below:

	Purchased services		Receivables		Liabilities	
in € million	2017	2018	2017	2018	2017	2018
Associated companies	–	0.6	–	0.4	–	1.5

At Vonovia, the individuals in key positions pursuant to IAS 24 include the members of the Management Board and the Supervisory Board of Vonovia SE.

The emoluments to key management personnel, which are subject to a disclosure requirement under IAS 24, include the remuneration paid to the active members of the Management Board and Supervisory Board.

The active members of the Management Board and Supervisory Board received the following remuneration:

in € million	2017	2018
Short-term employee benefits (without share-based payment)	7.0	6.5
Post-employment benefits	1.8	1.3
Share-based payment	10.5	3.2
	19.3	**11.0**

The service cost resulting from provisions for pensions for the active Management Board members is reported under post-employment benefits. The disclosure on share-based payments is based on the expenses in the fiscal year, which are also reported in note [50] Share-based Payment

The Management Board and Supervisory Board members were not granted any loans or advances.

Information on the individual remuneration of the Management Board and Supervisory Board members, as well as a description of the remuneration system, are given in the remuneration report, which is part of the combined management report, and in note [51] Remuneration.

50 Share-based Payments

Management Board

Under the long-term incentive plan (LTIP), the former Management Board members were granted a total of 931,030 notional shares (SARs = stock appreciation rights) in 2013. These were paid out in five annual tranches with a cliff vesting of 20% per calendar year of the total number of notional shares granted. In 2018, the last annual tranche was paid out to Rolf Buch, resulting in income pursuant to IFRS 2 of € 0.2 million (2017: € 2.5 million).

As part of the new LTIP plan, the Management Board members are granted annually on a fixed number of phantom stocks (performance share units or "PSU"), which are paid out at the end of a four-year performance period based on the extent to which a pre-defined target achievement level has been reached. The level of target achievement that determines the payout amount under the new LTIP plan is calculated based on the following parameters: Relative Total Shareholder Return (RTSR), Performance of NAV per Share, Performance of FFO I per Share and the Customer Satisfaction Index (CSI), which are all assigned an equal weighting of 25%. As a result, this new LTIP plan constitutes a form of cash-settled share-based payment pursuant to IFRS 2; in turn, the payout claim can be lost entirely if the defined target achievement level has not been reached.

The value of the total notional shares that had been granted but not paid out from the new LTIP plan as of December 31, 2018, was calculated by an external expert based on recognized actuarial principles. The obligation disclosed as of the reporting date breaks down as follows:

Tranche in €	End of vesting period	Rolf Buch	Klaus Freiberg	Helene von Roeder	Daniel Riedl	Dr. A. Stefan Kirsten	Gerald Klinck	Thomas Zinnöcker
2015-2018	Dec. 31, 2018	2,294,640	764,880	-	-	764,880	573,660	1,649,273
2016-2018	Dec. 31, 2018	-	318,221	-	-	318,221	318,221	-
2016-2019	Dec. 31, 2019	1,600,476	711,322	-	-	711,322	711,322	113,614
2017-2020	Dec. 31, 2020	1,338,004	563,370			563,370	563,370	-
2018-2021	Dec. 31, 2021	501,357	211,098	96,751	96,751	87,957	87,957	-

The LTIP plan program resulted in expenses pursuant to IFRS 2 totaling € 5.9 million in the 2018 reporting year (2017: € 8.0 million), with € 2.1 million attributable to Rolf Buch, € 1.2 million to Klaus Freiberg, € 0.1 million to both Helene von Roeder and Daniel Riedl, € 1.0 million to both Dr. A. Stefan Kirsten and Gerald Klinck and € 0.4 million to Thomas Zinnöcker.

For further information, please refer to the remuneration report.

Executives Below Management Board Level

In 2014, Vonovia resolved a virtual share program (LTIP) for executives at the highest level of management below the Management Board with effect from January 1, 2014. Notional shares were granted under this LTIP, subject to a waiting period of three calendar years, for the last time on January 1, 2015. The last tranche was paid out in 2018, with expenses of k € 19 being incurred for the last time in 2018 (2017: € 0.5 million).

In 2016, a new LTIP plan was launched for the first level of management, replacing the LTIP that was launched in 2014, to bring the targets for the Management Board and other employees in management positions below Management Board level even closer into line with shareholder interests.

The LTIP plan is based largely on the LTIP launched for the Management Board in 2015, also regarding the identical performance objectives and the calculation of the objective values with regard to the minimum value, the "target achievement value," and the maximum value.

The value of the total notional shares that had been granted but not paid out from the new LTIP plan as of December 31, 2018, was calculated by an external expert based on recognized actuarial principles. The obligation disclosed as of the reporting date breaks down as follows:

Tranche in €	End of vesting period	Dec. 31, 2018
2016	Dec. 31. 2019	1,485,478
2017	Dec. 31. 2020	996,735
2018	Dec. 31. 2021	371,620

The LTIP plan program results, in accordance with IFRS, in expenses of € 1.5 million in the 2018 reporting year (2017: € 1.0 million).

Employees

An employee share program was resolved on the basis of a works agreement in 2014. The program started in the first quarter of 2015 and the shares granted are subject to a vesting period of six months. The costs associated with the securities deposit account are borne by Vonovia. Shares with a value of between € 90.00 and € 360.00 at the most are granted to the eligible employees, depending on their gross annual salary, without the employees having to make any contribution of their own.

The new employee share program resulted in expenses totaling € 1.8 million in the 2018 reporting year (2017: € 1.5 million), which have been offset directly against the capital reserves.

51 Remuneration

Remuneration of the Supervisory Board

The members of the Supervisory Board received total remuneration of € 1.8 million during the 2018 fiscal year (2017: € 1.8 million) for their work.

Total Remuneration of the Management Board

The total remuneration paid to the individual members of the Management Board comprises the following:

Total remuneration of the Management Board in €	Rolf Buch, CEO		Klaus Freiberg, COO		Helene von Roeder, CFO since May 9, 2018	
	2017	2018	2017	2018	2017	2018
Fixed remuneration	1,150,000	1,150,000	600,000	600,000	–	386,957
Compensation payment	–	–	–	–	–	64,874
Cash remuneration/deferred compensation	355,000	355,000	160,000	160,000	–	103,188
Fringe benefits	24,006	26,651	27,603	27,600	–	13,157
Total	**1,529,006**	**1,531,651**	**787,603**	**787,600**	**–**	**568,176**
Annual variable remuneration (bonus)	700,000	700,000	440,000	528,000	–	283,768
Multi-year variable remuneration (LTIP plan)						
2017–2020	2,040,633	–	859,224	–	–	–
2018–2021	–	1,902,392	–	801,007	–	516,592
(number of shares)	(61,469)	(48,669)	(25,882)	(20,492)	–	(13,216)
Total	**2,740,633**	**2,602,392**	**1,299,224**	**1,329,007**	**–**	**800,360**
Total remuneration	**4,269,639**	**4,134,043**	**2,086,827**	**2,116,607**	**–**	**1,368,536**

Total remuneration of the Management Board in €	Daniel Riedl, CDO since May 9, 2018		Dr. A. Stefan Kirsten, CFO until May 9, 2018		Gerald Klinck, CCO until May 9, 2018		Total remuneration	
	2017	2018	2017	2018	2017	2018	2017	2018
Fixed remuneration	–	386,957	600,000	215,217	600,000	215,217	2,950,000	2,954,348
Compensation payment	–	15,111	–	–	–	–	–	64,874
Cash remuneration/deferred compensation	–	103,188	160,000	53,333	160,000	57,391	835,000	832,100
Fringe benefits	–	18,932	32,723	24,105	24,503	7,317	108,835	117,762
Total	**–**	**524,188**	**792,723**	**292,655**	**784,503**	**279,925**	**3,893,835**	**3,969,084**
Annual variable remuneration (bonus)	–	283,768	440,000	157,826	440,000	157,826	2,020,000	2,111,188
Multi-year variable remuneration (LTIP plan)								
2017–2020	–	–	859,224	–	859,224	–	4,618,305	–
2018–2021	–	516,592	–	333,753	–	333,753	–	4,404,089
(number of shares)	–	(13,216)	(25,882)	(8,539)	(25,882)	(8,539)	(139,115)	(112,671)
Total	**–**	**800,360**	**1,299,224**	**491,579**	**1,299,224**	**491,579**	**6,638,305**	**6,515,277**
Total remuneration	**–**	**1,324,548**	**2,091,947**	**784,234**	**2,083,727**	**771,504**	**10,532,140**	**10,484,361**

The remuneration paid to the Management Board members includes the remuneration for all mandates at Vonovia Group companies, subsidiaries and participating interests.

Pension Obligations to Members of the Management Board

Rolf Buch, Helene von Roeder, Dr. A. Stefan Kirsten and Gerald Klinck are/were paying their contractual share of € 355,000 (Rolf Buch), € 103,188 (Helene von Roeder), € 53,333 (Dr. A. Stefan Kirsten) and € 57,391 (Gerald Klinck) respectively, based on their fixed remuneration, into the deferred compensation scheme. Klaus Freiberg has opted for a cash payout for his entitlement of € 160,000. In Daniel Riedl's case, the annual pension contribution of € 103,188 made by BUWOG is paid into an external pension fund.

The pension obligations to members of the Management Board from deferred compensation comprise the following:

	Contribution total as of December 31,		Defined benefit obligation as of December 31,	
€	**2017**	**2018**	**2017**	**2018**
Rolf Buch	949,253	966,356	3,064,938	3,969,413
Helene von Roeder	–	265,457	–	265,677
Dr. A. Stefan Kirsten	367,388	116,396	2,179,047	–*
Gerald Klinck	491,198	192,180	1,257,330	–*

* For Dr. A. Stefan Kirsten and Gerald Klinck, these figures relate to the service cost up until May 9, 2018. In respect of Dr. A. Stefan Kirsten and Gerald Klinck, the pension obligations in accordance with the IFRS as of December 31, 2018, are recognized in pension obligations (DBO) to former members of the Management Board.

Remuneration of Former Management Board Members and Their Surviving Dependents

Total remuneration of former Management Board members and their surviving dependents amounts to € 6.2 million for the 2018 fiscal year (2017: € 2.0 million). The total remuneration includes the severance payment in accordance with the provisions set out in the contract of employment of Dr. A. Stefan Kirsten. This payment applies in connection with the amicable termination of his Management Board contract as of May 9, 2018.

The pension obligations (DBO) to former members of the Management Board and their surviving dependents amount to € 19.1 million (2017: € 14.3 million).

52 Auditor's Fees

In the fiscal year, the following fees (including expenses and excluding VAT) have been credited for the services rendered by the Group auditors KPMG Wirtschaftsprüfungsgesellschaft:

in € million	**2017**	**2018**
Audits	3.7	3.2
Other confirmation services	1.0	0.6
Tax consultancy services	0.3	–
	5.0	**3.9**

All of the services rendered were consistent with the activities performed as the auditor of the annual financial statements and consolidated financial statements of Vonovia SE. The fee paid for auditing services performed by KPMG AG Wirtschaftsprüfungsgesellschaft relates to the audit of the consolidated financial statements and annual financial statements of Vonovia SE, as well as to various audits of annual financial statements and a review of one set of annual financial statements of Group companies. Consolidated interim financial statements were also reviewed.

The other confirmation services include reviews of reconciliations on the interest threshold based on audit standard IDW PS 900, business audits performed in accordance with Section 2 of the Act on the Code of Professional Practice for German Public Auditors (WPO) on compliance with the regulations governing loans granted by the German government-owned development bank KfW, business audits pursuant to ISAE 3000 relating to various housing assistance reports and the voluntary business audits of tax compliance management systems in accordance with IDW PS 980. Other confirmation services also include services associated with the issue of comfort letters pursuant to audit standard IDW PS 910 of the Institute of Public Auditors in Germany, the issue of valuation certificates and project audits relating to IT migrations.

53 Subsequent Events

Vonovia SE successfully sold its roughly 16.8 million shares in Deutsche Wohnen SE ("Deutsche Wohnen") to institutional investors with effect as of February 1, 2019, by means of an accelerated bookbuilding procedure; the shares were sold for a price of € 41.50 per share. This corresponds to a customary market discount of 4.8% on the closing price of € 43.59 as of January 31, 2019. This results in total proceeds of € 698.1 million. The acquisition costs at the time amounted to € 405.5 million, resulting in a book gain of € 292.6 million from this disposal in the 2019 annual financial statements of Vonovia SE.

The IFRS consolidated financial statements included the shares in Deutsche Wohnen with a fair value of € 672.8 million as of December 31, 2018. This means that, over the course of time, € 267.3 million in fair value increases had been recognized under other comprehensive income directly in other reserves. This amount will be reclassified to retained earnings, not affecting net income, pursuant to the designation under IFRS 9 when the transaction is completed.

The increase in fair value between December 31, 2018, and the transaction date of January 31, 2019, in the amount of € 25.3 million will also be recognized in other comprehensive income. Transaction costs will be recognized affecting net income.

On February 12, 2019, Vonovia terminated the subordinated bond of € 700 million in due form with effect from April 8 via Vonovia Finance B. V. and announced the corresponding repayment.

With effect from January 29, 2019, and as part of its EMTN program, Vonovia placed a bond with a nominal volume of € 500 million and a coupon of 1.800% maturing on June 29, 2025, via its Dutch subsidiary Vonovia Finance B. V. The first interest payment date is June 29, 2019.

The conversion of BUWOG AG, Vienna/Austria, into BUWOG Group GmbH, Vienna/Austria, was entered in the Vienna/Austria commercial register with effect from January 25, 2019.

54 Declaration of Conformity with the German Corporate Governance Code

In February 2019, the Management Board and the Supervisory Board declared compliance with the recommendations of the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (AktG) and made the declaration permanently available on the company's website (www.vonovia.de).

55 Management Board's Proposal for the Appropriation of Profit

"The Management Board and the Supervisory Board propose to the Annual General Meeting that, of the profit of Vonovia SE for the 2018 fiscal year of € 909,643,381.62, an amount of € 135,000,000.00 be added to other revenue reserves and an amount of € 746,032,224.96 on the 518,077,934 shares of the share capital as of December 31, 2018, be paid as a dividend, corresponding to € 1.44 per share, to the shareholders and the remaining amount of € 28,611,156.66 be carried forward to the new account or be used for other dividends on shares carrying dividend rights at the time of the Annual General Meeting and which go beyond those of the share capital as of December 31, 2018.

As with the 2017 financial year, the dividend for the 2018 fiscal year, payable after the Annual General Meeting in May 2019, will again include the election of a non-cash dividend in shares, to the extent deemed economically sensible by the Supervisory Board."

Bochum, Germany, February 25, 2019

Rolf Buch (CEO)	Klaus Freiberg (COO)
Helene von Roeder (CFO)	Daniel Riedl (CDO)

Independent Auditor's Report

The following auditor's report, prepared in accordance with § 322 HGB ["Handelsgesetzbuch": "German Commercial Code"], refers to the complete consolidated financial statements, comprising of consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity and notes to the consolidated financial statements, together with the combined management report of Vonovia SE, Bochum, for the financial year from January 1, 2019 to December 31, 2019. The combined management report is not included in this prospectus. The below-mentioned auditor's report and consolidated financial statements are both translations of the respective German-language documents.

To Vonovia SE, Bochum

Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report

Opinions

We have audited the consolidated financial statements of Vonovia SE, Bochum, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of December 31, 2018, and the consolidated income statement, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of Vonovia SE for the financial year from January 1 to December 31, 2018. In accordance with the German legal requirements we have not audited the content of the non-financial statement which is included in a separate section of the combined management report.

In our opinion, on the basis of the knowledge obtained in the audit,

> the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of December 31, 2018, and of its financial performance for the financial year from January 1 to December 31, 2018, and

> the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of the non-financial statement mentioned above.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and EU Audit Regulation No 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). We performed the audit of the consolidated financial statements in supplementary compliance with the International Standards on Auditing (ISAs). Our responsibilities under those requirements, principles and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2)(f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Measurement of investment properties

Please refer to notes 6, 10 and 23 to the consolidated financial statements as well as the chapter on opportunities and risks in the combined management report.

The Financial Statement Risk

Investment properties in the amount of € 43.5 billion are reported in the consolidated financial statements of Vonovia as of December 31, 2018. Of this amount, € 39.0 billion is attributable to properties located in Germany. Vonovia measures investment properties at fair value in accordance with IAS 40 in conjunction with IFRS 13. In the year under review, increases in fair value of € 3.5 billion were recognized in the consolidated income statement.

Vonovia determines the fair values by using an internal valuation model. This does not apply for the property portfolios of BUWOG AG (since January 25, 2019 BUWOG Group GmbH, hereinafter referred to as 'BUWOG'), Vienna, Austria and Victoria Park AB (publ) (hereinafter referred to as 'Victoria Park'), Malmö, Sweden, acquired in fiscal year 2018 as well as properties of the conwert Group not located in Germany. The company-internal fair value calculations are determined by means of a discounted cash flow (DCF) method based on homogeneous valuation units of commercially related and comparable land and buildings. In addition, an independent valuer provides an appraisal, which is used to verify the internal measurements. For the property portfolios of BUWOG and Victoria Park as well as the non-German properties of conwert group the fair value is determined by independent valuers.

Numerous assumptions and parameters relevant to measurement are used for the measurement of investment properties, which is complex and subject to considerable estimation uncertainties and judgments. Even minor changes in the assumptions and parameters relevant to measurement may have a material effect on the resulting fair value. The most significant assumptions and parameters are market rents, including the expected trend in rental rates, and discount/capitalization rates. When determining the trend of discount/capitalization rates, Vonovia also takes into account the difference in dynamic of movements in real estate prices compared to rental rates (yield compression).

Due to existing estimation uncertainties and judgments, there is the risk for the consolidated financial statements that the fair values of properties are not within a reasonable range.

Moreover, there is the risk for the consolidated financial statements that the disclosures on investment properties in the notes required pursuant to IAS 40 and IFRS 13 are incomplete and inadequate.

Our Audit Approach

Through involvement of our own property valuation experts, we assessed the accuracy and completeness of the property portfolio data used in the intra-company valuation model by applying a control-based audit approach. In addition, we particularly assessed the internal measurement method with a view to compliance with IAS 40 in conjunction with IFRS 13, the homogeneity of defined valuation units and the appropriateness of the assumptions and parameters used for measurement. We also used external market data to assess the assumptions and parameters used for measurement, such as the discount/capitalization rates applied, market rents and expected trend in rental prices per square meter as well as planned maintenance per square meter.

Based on partially representative and partially selective sampling of German portfolio valuation units in accordance with risk, we conducted on-site visits to assess the condition of the various properties. We verified the valuations conducted by Vonovia by comparing them with our own calculations based on the standardized capitalization model pursuant to the German Real Estate Appraisal Regulation [ImmoWertV].

We were satisfied with the qualification and objectivity of the external valuers commissioned by Vonovia, audited the valuation method used for the appraisal with regard to compliance with IAS 40 in conjunction with IFRS 13, assessed the material assumptions and parameters for measurement and compared the internal valuation results with those of the corresponding external appraisals.

We also assessed the completeness and adequacy of disclosures on investment properties required in the notes to the consolidated financial statements pursuant to IAS 40 and IFRS 13.

Our Observations
The valuation method implemented by Vonovia is appropriate and suitable for measuring fair value in compliance with IFRS. The assumptions and parameters used for valuation of the investment properties are appropriate. The disclosures on investment properties in the notes to the consolidated financial statements pursuant to IAS 40 and IFRS 13 are complete and appropriate.

Impairment testing of goodwill

Please refer to notes 6 and 21 to the consolidated financial statements as well as the chapter on opportunities and risks in the combined management report.

The Financial Statement Risk
Goodwill in the amount of € 2.8 billion is reported in the consolidated financial statements of Vonovia as of December 31, 2018. Goodwill is allocated pursuant to IAS 36 to groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. At Vonovia, these are the regional business divisions in the Rental segment and the Value-add and Development segments.

Vonovia conducts impairment testing of the goodwill recognized annually in the fourth quarter. For each group of cash-generating units, the carrying amount of the unit (including the goodwill) is compared with the recoverable amount of the unit. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Vonovia determines value in use by applying a complex calculation model based on a DCF method. In this regard, determination of the discount rate (WACC) is the primary source of judgment apart from cash flow forecasts. As even minor changes in WACC may have a material effect on the recoverable amount, the measurement of goodwill is associated with considerable estimation uncertainties.

In the Rental segment, yield compression (i. e. the difference in dynamic of real estate prices compared to rental rates) had a material effect on the value of goodwill, as the carrying amounts of investment properties (which rose faster relative to the projected cash flows) reduced the headroom between value in use and the carrying amounts of the groups of cash-generating units. In financial year 2018, the appreciation in value of investment properties and associated increase in the carrying amounts of all groups of cash-generating units of the Rental segment resulted in a reduction in headroom. In a total of five regions, this leads to impairments of goodwill in the amount of € 681,2 million.

There is the risk for the consolidated financial statements that the impairment loss as of the reporting date is not recognized in the amount required. There is also the risk that the disclosures in the notes to the consolidated financial statements are not appropriate.

Our Audit Approach
Through involvement of our own valuation experts, we also assessed the adequacy of Vonovia's calculation model and reconciled the expected future cash flows assigned to the model to the detailed plan. The detailed plan was derived from the five-year plan, has been adopted by the Executive Board and been noticed by the Supervisory Board. We have assessed the plausibility of the assumptions based on industry-specific market assessments. We also assessed the quality of forecasts used for planning in the past by comparing the target figures with actual figures and analyzing the deviations.

As value in use for the regional business divisions of the Rental segment is based to a considerable degree on cash flow forecasts beyond the five-year planning horizon (period of perpetuity), we particularly evaluated capitalized maintenance per square meter of living space as well as the sustainable growth rate used for the period of perpetuity with a view to regional differences in the various business divisions based on external market assessments.

With regard to the WACCs determined by Vonovia, we assessed the individual assumptions and parameters used in detail on the basis of available market data and also critically evaluated them as a whole compared to similar companies in the real estate sector. Due to the material effect of even minor changes in WACC, we focused in particular on the sensitivity analyses conducted by Vonovia as another key audit matter and verified whether impairment losses would arise with the change of individual WACC assumptions and parameters within an expected range.

We verified (recalculated) the values in use determined by Vonovia and compared them with the corresponding carrying amounts.

Finally, we assessed whether the disclosures in the notes regarding impairment of goodwill are appropriate. This also included an assessment of the appropriateness of disclosures in the notes on sensitivity in the event of reasonably possible changes in key assumptions and parameters used for measurement.

Our Observations

The calculation model used for impairment testing of goodwill is appropriate and in line with the accounting policies to be applied. The Company's assumptions and parameters used for measurement are within an acceptable range and are balanced as a whole. The disclosures in the notes on impairment-testing of goodwill are appropriate.

Identification and measurement of assets and liabilities acquired in the course of acquisition of BUWOG and Victoria Park

See notes 3, 4 and 6 to the consolidated financial statements.

The Financial Statement Risk

In financial year 2018, Vonovia acquired all shares in BUWOG as part of a public tender offer and other share purchases followed by a squeeze-out. The consideration transferred on the date of acquisition was € 3,212.4 million. Taking into account the acquired net assets of € 2,498.8 million, goodwill amounts to € 713.6 million.

Also in financial year 2018, Vonovia acquired 81.36% of the shares in Victoria Park as part of a public tender offer and other acquisitions of shares. In addition, call options for 10.04% of the shares were acquired in May 2018. The consideration transferred on the date of acquisition was € 611.8 million. Taking into account the acquired net assets of € 419.0 million and foreign currency translation differences of € 3,7 million, goodwill amounts to € 196.5 million.

The acquired identifiable assets and assumed liabilities are usually recognized at fair value pursuant to IFRS 3 on the date of acquisition. Vonovia consulted an independent expert for determining and measuring the identifiable assets acquired and liabilities assumed.

The identification and measurement of assets acquired and liabilities assumed is complex and based on assumptions of the Executive Board that require judgment. When determining fair value, there is considerable scope for judgment with regard to the measurement of investment properties, which requires judgments and estimates by management.

There is the risk for the consolidated financial statements that the assets acquired and liabilities assumed are identified improperly or measured inaccurately. There is also the risk that the disclosures in the notes to the consolidated financial statements are not complete and accurate.

Our Audit Approach

By involving our valuation experts, we have also assessed the appropriateness of key assumptions and parameters as well as the identification and calculation methods used. To that end, we first gained an understanding of the acquisition by consulting the Executive Board and relevant members of staff, both of Vonovia and of BUWOG and Victoria Park, and by assessing the public tender offer. To gain further insights into the business activities as well as economic and legal environment of BUWOG and Victoria Park, we had discussions with the respective local auditors. In addition, we assessed the process of identification of assets acquired and liabilities assumed in view of our sector knowledge for compliance with the requirements of IFRS 3.

We assessed the competence, professional skills and impartiality of the independent expert engaged by Vonovia. Our other audit procedures focused in particular on the identification of value determinants for the investment properties to be valued, mainly market rents and the expected trend in rental rates, the maintenance costs used and discount/capitalization rates, and also the complete recognition and measurement of non-derivative and derivative financial liabilities. We investigated the measurement methods used for their compliance with the accounting policies.

Finally, we assessed whether the disclosures in the notes regarding the acquisition of BUWOG and Victoria Park are complete and accurate.

Our Observations

The approach used for identifying and measuring the assets acquired and liabilities assumed is appropriate and in line with the accounting policies to be applied. The key assumptions and parameters are appropriate and they are properly presented in the notes to the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises:

> the non-financial statement and
> the remaining parts of the annual report, with the exception of the audited consolidated financial statements and combined management report and our auditor's report.

Our opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

> is materially inconsistent with the consolidated financial statements, with the combined management report or our knowledge obtained in the audit, or
> otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

Management is responsible for the preparation of consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) and supplementary compliance with the ISAs will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

> Identify and assess the risks of material misstatements of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by management in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor at the annual general meeting on May 9, 2018. We were engaged by the Supervisory Board on December 5, 2018. We have been the group auditor of Vonovia SE without interruption since the Company's IPO in financial year 2013.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Martin C. Bornhofen.

Düsseldorf, Germany, March 1, 2019

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Ufer	Bornhofen
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Audited Annual Financial Statements of Vonovia SE as of and for the financial year ended December 31, 2020 (German Commercial Code (*Handelsgesetzbuch*))

Balance Sheet

Assets

in €	Notes	Dec. 31, 2019	Dec. 31, 2020
A. Fixed assets	(1)		
I. Intangible assets			
Commercial and industrial property rights and similar rights		19,600,354.74	17,979,918.26
II. Property, plant and equipment			
Other equipment, fixtures, furniture and office equipment		13,501,132.72	12,380,955.43
III. Financial assets	(2)		
Shares in affiliated companies		20,475,859,617.87	20,596,089,617.87
Non-current equity investments		1,560.00	1,560.00
Non-current securities		40,763.42	40,763.42
Other non-current loans		4,654.70	3,297.08
		20,475,906,595.99	20,596,135,238.37
		20,509,008,083.45	20,626,496,112.06
B. Current assets			
I. Receivables and other assets	(3)		
Receivables from affiliated companies		3,799,766,512.26	4,934,236,356.92
Other assets		14,449,051.11	22,254,382.25
		3,814,215,563.37	4,956,490,739.17
II. Cash-in-hand, bank balances		92,878,296.85	190,788,253.70
		3,907,093,860.22	5,147,278,992.87
C. Prepaid expenses	(4)	3,985,078.80	3,902,189.95
Total assets		**24,420,087,022.47**	**25,777,677,294.88**

Equity and Liabilities

in €	Notes	Dec. 31, 2019	Dec. 31, 2020
A. Equity			
I. Subscribed capital	(5)	542,273,611.00	565,887,299.00
II. Capital reserves	(6)	8,355,654,025.88	9,159,678,149.23
III. Retained earnings			
Other revenue reserves	(7)	470,000,000.00	–
IV. Net income for the year	(8)	912,721,577.83	1,000,000,000.00
		10,280,649,214.71	10,725,565,448.23
B. Provisions			
Provisions for pensions and similar obligations	(9)	67,450,256.62	74,153,092.84
Provisions for taxes		22,955,425.71	32,882,990.19
Other provisions	(10)	73,219,587.87	60,367,583.12
		163,625,270.20	167,403,666.15
C. Liabilities	(11)		
Liabilities to banks		1,109,048,606.96	1,257,746,197.84
Trade payables		1,394,556.87	1,148,823.68
Liabilities to affiliated companies		12,851,400,757.31	13,616,151,183.49
Other liabilities		13,968,616.42	9,661,975.49
		13,975,812,537.56	14,884,708,180.50
Total equity and liabilities		**24,420,087,022.47**	**25,777,677,294.88**

Income Statement

for the Period from January 1 Until December 31

in €	Notes	2019	2020
Revenues	(12)	166,247,965.61	181,348,520.88
Other operating income	(13)	814,930,365.38	51,553,944.39
Cost of purchased services	(14)	-69,046,236.19	-80,194,610.59
Gross profit		**912,132,094.80**	**152,707,854.68**
Personnel expenses			
a) Wages and salaries		-33,566,917.74	-33,487,508.78
b) Social security, pensions and other employee benefits	(15)	-4,701,506.50	-4,880,606.99
		-38,268,424.24	**-38,368,115.77**
Amortization and impairment of intangible assets and depreciation and impairment of property, plant and equipment		-19,427,881.36	-20,519,578.60
Other operating expenses	(16)	-177,651,946.17	-149,146,116.65
Income from non-current equity investments	(17)	11,907,940.27	13,501,695.34
Income from profit-and-loss transfer agreements	(18)	79,477,393.02	256,545,091.81
Income from other non-current securities and non-current loans		1,191.23	1,142.34
Other interest and similar income	(19)	18,491,877.09	22,051,321.60
Expenses from profit-and-loss transfer agreements		-279,773,894.49	-48,627,217.39
Interest and similar expenses	(20)	-79,381,781.65	-229,137,335.68
Taxes on income	(21)	-8,346,370.19	-14,038,393.85
Income after tax		**419,160,198.31**	**-55,029,652.17**
Other taxes		-49,777.14	1,506,883.62
Net profit for the year/Net loss for the year		419,110,421.17	-53,522,768.55
Profit carried forward from previous year		28,611,156.66	61,352,008.56
Withdrawals from capital reserves		-	522,170,759.99
Withdrawals from other retained earnings		465,000,000.00	470,000,000.00
Net income for the year		**912,721,577.83**	**1,000,000,000.00**

Notes

for the 2020 Fiscal Year of Vonovia SE, Bochum

A. General Information

I. Fundamentals of the Company

Vonovia SE (hereinafter also referred to as: Vonovia) is the parent company of the Vonovia Group and thus performs the function of management holding company for the Group. In this function, it is responsible for determining and pursuing the overall strategy and implementing it in the form of the company's goals. It also performs property management, project development, financing, service and coordination tasks for the Group. Furthermore, it is responsible for the management, control and monitoring system as well as risk management. To carry out these management functions, Vonovia also maintains dedicated service companies through which it generates corresponding harmonization and standardization effects, as well as economies of scale.

Vonovia is entered in the Bochum company register (company register no. HRB 16879). The company's registered headquarters are in Bochum, Universitätsstraße 133.

Vonovia has been listed in the DAX segment of the German stock exchange (Deutsche Börse AG) since September 21, 2015. The stock exchange lists Vonovia with the ticker symbol VNA. Vonovia is a capital market-oriented company within the meaning of Section 264d of the German Commercial Code (HGB), meaning that is considered to be a large corporation within the meaning of Section 267 HGB.

Based on the German stock exchange's definition of free float, only the interest held by Norges Bank (Norwegian Ministry of Finance) does not count towards the free float. 93.7% of Vonovia's shares were thereby in free float on December 31, 2020. In accordance with Vonovia's long-term strategic focus, its largest individual shareholders are pension funds and other funds with a similarly long-term focus. The company's market capitalization amounted to around € 33.8 billion as of December 31, 2020.

In addition to the DAX, the Vonovia share is also listed in the national and international indices DAX 50 ESG, STOXX Global ESG Leaders, EURO STOXX ESG Leaders 50, STOXX Europe ESG Leaders 50, FTSE EPRA/NAREIT Developed Europe and GPR 250 World and, in September 2020, was admitted into Europe's leading index EURO STOXX 50.

The rating agency Standard & Poor's has assigned Vonovia a long-term corporate credit rating of BBB+ with a stable outlook and a short-term credit rating of A-2. This rating was confirmed in a letter dated July 22, 2020.

On August 17, 2020, the largest European rating agency Scope Group confirmed its rating of A- for Vonovia.

As the parent company of the Vonovia Group, Vonovia prepares consolidated financial statements in accordance with the IFRS standards as they are to be applied in the EU and in accordance with the supplementary commercial law provisions under Section 315e (1) HGB. The annual and consolidated financial statements are published in the electronic Federal Gazette. Furthermore, the consolidated financial statements can be accessed on the company's website.

In application of Section 315 (5) HGB in conjunction with Section 298 (2) HGB, the management report of Vonovia was combined and published together with the consolidated financial statements.

II. Key Events During the Fiscal Year

Business activities in 2020 were dominated by the impact of the Covid-19 pandemic. The top priority for Vonovia, as the Group parent company, was to safeguard the health and safety of its employees and customers while maintaining business operations; by virtue of an advanced IT infrastructure and digitalized business processes, Vonovia was successful in this endeavor.

In light of societal megatrends, Vonovia scrutinized and updated its strategy in 2020. In particular, the strategy was formulated with greater clarity in respect of the aspect of climate change. This states that Vonovia aims to make its portfolio climate-neutral by 2050.

The Act on Rent Controls in the Housing Sector in Berlin ("rent freeze"), which came into force in February 2020 and whose constitutionality is still subject to question, has so far had no material impact on our business.

In light of the pandemic, the Annual General Meeting was held as a virtual event for the first time, with shareholders able to follow the Annual General Meeting via a live stream.

III. Acquisitions

Vonovia has strengthened its development business by expanding its activities in the Rhine-Main region with the complete acquisition of the project developer Bien-Ries GmbH, Hanau, by subsidiary Deutsche Annington Acquisition Holding GmbH (hereinafter referred to in short as DAAH), Düsseldorf in early April 2020.

Vonovia also acquired a 2.6% stake in the Dutch Vesteda Residential Fund on June 26, 2020 via the subsidiary DAAH. Vesteda's portfolio comprises more than 27,000 apartments in the middle-range price segment, mainly in the Randstad region in the Netherlands. The region is home to the major cities of Amsterdam and Rotterdam, among others. The stake has been acquired in a quest to gather direct practical experience on the Dutch market and compare it with Vonovia's current markets.

IV. Information on Significant Financial Relations

In July 2017, a loan agreement in the amount of € 300 million was concluded with the European Investment Bank, Luxembourg, Grand Duchy of Luxembourg, for the purpose of conducting energy-efficient refurbishment of residential property. The loan was drawn in full in December 2017 and has a term of eight years. The contract offers a reduced rate of interest, provided it can be demonstrated that the funds are used within the first four years of the term.

In addition, there is a guarantee facility agreement in place between Vonovia and Commerzbank AG, Frankfurt am Main, which was increased from € 25 million to € 35 million in August 2020. Bills of exchange of approximately € 23.4 million had been drawn from this amount as of December 31, 2020.

In December 2019, Vonovia concluded agreements with Atradius Credit Insurance N.V. and Swiss Re International SE for two revolving lines of credit for € 20 million and € 50 million, respectively. The framework agreement with Atradius Credit Insurance N.V. was increased to € 30 million in July 2020. € 65.2 million had been drawn as of the balance sheet date of December 31, 2020.

Since 2016, Vonovia has concluded framework agreements with various banks in respect of accessing KfW funds. These loans are not secured by way of land charges and are passed on to various property companies as shareholder loans. As of December 31, 2020, the total volume of these loans framework agreements stood at € 1,164 million, with € 958 million drawn.

In accordance with the cash pooling agreement based on the arm's length principle, Vonovia, as the main account holder and cash pool manager, performs the intra-Group cash pooling for the lion's share of Group companies domiciled in Germany and the Netherlands. BUWOG Holding GmbH, Vienna, Austria, acts as the cash pool manager for Austrian Group companies. The purpose of cash pooling is to optimize liquidity management and the Group's financial result. The receivables and payables arising from profit-and-loss transfer agreements with the direct subsidiaries of Vonovia are directly offset with the balances from cash pooling.

B. Accounting Policies

The annual financial statements for the fiscal year from January 1 to December 31, 2020, have been prepared in euros according to the accounting principles of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The amounts disclosed in the Notes are in euros (€), thousands of euros (€ k), millions of euros (€ million) or billions of euros (€ billion).

The balance sheet has been structured pursuant to the requirements of Section 266 HGB, whereas the income statement has been structured in accordance with Section 275 (2) HGB. The income statement has been prepared using the nature of expense method.

For the sake of clarity, the statements relating to balance sheet and income statement items as required under HGB are included in the Notes, along with the statements that may be made in the balance sheet, income statement, or the Notes.

Intangible assets are carried at acquisition cost and amortized on a straight-line basis over a period of three years.

Fixtures, furniture and office equipment are depreciated on a straight-line basis over periods of between three and 13 years. New movable assets are depreciated exclusively pro rata temporis. Minor fixed assets (assets whose acquisition cost is up to and including € 800.00), are written off in full in their year of purchase and treated as disposed of.

Financial assets are reported at acquisition cost.

Interest-free and low-interest loans are stated at their present values, with other loans being reported at their face value.

Insofar as assets are measured as of the balance sheet date at what is expected to be a permanently lower fair value than the value arrived at using the accounting policies outlined above, this will be accounted for by means of impairment.

Insofar as the reason for impairment no longer applies, a reversal of impairment losses pursuant to Section 253 (5) HGB will be shown.

Receivables and other assets are stated at their nominal value. Allowance is made for all discernible individual risks by stating values cautiously. Any further general risks are covered by general valuation allowances.

Cash-in-hand and bank balances are measured at nominal value as of the balance sheet date.

Prepaid expenses are expenses incurred prior to the balance sheet date insofar as they constitute expenses for a certain period after this date.

The provisions of Section 272 HGB as well as Sections 150 et seq. AktG apply to the accounting treatment of equity.

Subscribed capital is valued at its nominal value.

The provisions allow for all discernible risks and uncertain obligations. Provisions are established in the amount of the fulfillment amount considered necessary using reasonable commercial judgment.

With provisions with a residual term of more than one year, future price and cost increases are taken into consideration, and discounting to the balance sheet date is performed. The interest rates corresponding to the residual terms of the provisions are used, as announced by the Deutsche Bundesbank in accordance with the German Provision Discounting Ordinance (Rückstellungsabzinsungsverordnung).

Provisions for pensions and similar obligations are determined on the basis of recognized actuarial principles using the projected unit credit method. In accordance with Section 253 (2) sentence 2 HGB, a residual term of 15 years is assumed. An interest rate of 2.31% is used for the valuation. The biometric basis for calculation is the 2018 G version of the Heubeck mortality tables. The projected salary trend is assumed to be 2.50% p.a. and the projected pension trend 1.75% p.a.

The difference arising from the different measurement of pension obligations based on a seven-year/ten-year average interest rate pursuant to Section 253 (6) HGB comes to € 10,339 k as of December 31, 2020 (prior year: € 9,941 k).

Reinsurance contracts for the pension benefits of individual persons were taken out against payment of a one-off insurance premium. Furthermore, securities and, to a minor extent, deposits at banking institutions are held that also serve to secure the pension claims. The invested assets were pledged in favor of the beneficiaries and cannot be accessed by other creditors. They will be offset against the underlying obligations as what are known as "plan assets" in accordance with Section 246 (2) sentence 2 HGB.

The provisions for obligations related to pre-retirement part-time work arrangements are determined in line with actuarial principles using the projected unit credit method with a discount rate of 0.48% p.a. and an assumed remaining term of four years. The projected salary trend is assumed to be 2.0 % p.a. The Heubeck 2018 G mortality tables are taken as a basis for the calculation.

The other non-current personnel provisions for anniversary bonuses and temporary assistance were calculated using the projected unit credit method, applying actuarial principles, at an interest rate of 1.61% p.a. based on the 2018 G version of the Heubeck tables. A general residual term of 15 years is assumed. The projected salary trend for temporary assistance is assumed to be 2.50% p.a.

Liabilities are stated at the settlement amount.

In line with Section 274 HGB, deferred taxes are determined according to the balance sheet-based concept. Deferred taxes are determined for temporary differences between the amount of assets, liabilities, prepaid expenses and deferred income in the commercial financial statements and those prepared for tax purposes, including loss carryforwards that can be taken into account. As well as differences resulting from its own balance sheet items, Vonovia also includes those relating to subsidiaries and partnerships in which it holds a direct or indirect participating interest through its subsidiaries. Deferred taxes are measured with regard to corporate income tax and the solidarity charge on the basis of a tax rate of 15.825% and with regard to municipal trade tax on the basis of a tax rate of 16.485%. Deferred taxes of the same kind are shown netted. Any resulting overall excess of tax obligations is recognized in the balance sheet as deferred tax liabilities. The option under Section 274 (1) HGB is exercised, and capitalization of any possible net deferred tax asset is dispensed with.

C. Notes to the Balance Sheet

(1) Fixed Assets

The development in individual items of the assets column is shown in the statement of changes in fixed assets along with the depreciation and amortization in the fiscal year. The statement of changes in fixed assets is included as Annex 1 to the Notes.

(2) Long-term Financial Assets

The list of Vonovia shareholdings is provided in Annex 2 to the Notes.

The changes to long-term financial assets in the 2020 fiscal year are attributable to the increase in shares in affiliated companies amounting to € 120.0 million. This increase in shares in affiliated companies relates to a contribution to the capital reserves of DAAH, as determined by a shareholder resolution dated March 2, 2020.

(3) Receivables and Other Assets

Receivables from affiliated companies mainly result from cash pooling in the amount of € 3,577,946 k (prior year: € 2,736,883 k) and the granting of current intercompany loans in the amount of € 1,351,886 k (prior year: € 1,058,996 k).

(4) Prepaid Expenses

Prepaid expenses include, among other things, amounts paid for future IT maintenance expenses and insurance services.

(5) Subscribed Capital

The subscribed capital represents the company's share capital. As of December 31, 2020, the share capital amounted to € 565,887,299.00, split into 565,887,299 no-par-value registered shares. The shares are uncertificated.

Development of the Subscribed Capital

in €

As of Jan. 1, 2020	**542,273,611.00**
Capital increase against cash contributions on Sept. 08, 2020	17,000,000.00
Capital increase against non-cash contributions on July 30, 2020 (scrip dividend)	6,613,688.00
As of Dec. 31, 2020	**565,887,299.00**

Authorized Capital

By way of a resolution of the Annual General Meeting on May 9, 2018, in Bochum, a new 2018 authorized capital was created in the amount of € 242,550,413.00, which after utilization as of December 31, 2020 is valued at € 194,741,048.00. On the basis of this resolution and in accordance with Section 5 of the Articles of Association, the Management Board is authorized, with the consent of the Supervisory Board, to increase the company's subscribed capital once or several times on or before May 8, 2023, by issuing 242,550,413 new shares in return for cash contributions or contributions in kind. Shareholder subscription rights for the 2018 authorized capital can be excluded.

Vonovia implemented a capital increase of 17,000,000 new shares using the authorized capital on September 8, 2020. The new shares were placed with institutional investors to the exclusion of subscription rights in the scope of a private placement by means of an accelerated book building procedure and have carried dividend rights since January 1, 2020. The shares were granted at a placement price of € 59.00 per share. The gross proceeds from the issue amount to € 1.0 billion. Capital reserves increased by the premium.

The Annual General Meeting held on June 30, 2020, resolved to pay a dividend for the 2019 fiscal year in the amount of € 1.57 per share. During the subscription period, shareholders holding a total of 40.7% of the shares carrying dividend rights opted for the scrip dividend that had been offered as opposed to the cash dividend. As a result, 6,613,688 new shares were issued at a subscription price of € 52.438 and in a total amount of € 346.8 million. This increased the capital reserves by € 340.2 million.

The Annual General Meeting on June 30, 2020, did not pass any resolutions to adjust the authorized capital, meaning that the authorized capital amounted to € 194,741,048.00 as of December 31, 2020.

Conditional Capital in 2018

Based on the resolution passed by the company's Annual General Meeting on May 9, 2018, the Management Board was authorized, in accordance with Section 6 of the Articles of Association and with the consent of the Supervisory Board, to issue bonds carrying conversion and option rights, bonds carrying option rights, participating rights and/or participating bonds (or combinations of these instruments) (hereinafter collectively referred to as "debentures") in bearer or registered form, once or several times, and to grant the creditors/holders of the debentures conversion or option rights for the shares of the company in a pro rata amount of the share capital of up to € 242,550,413.00 according to the detailed terms and conditions of the bonds carrying option/conversion rights and/or the terms and conditions of the participating rights.

A conditional capital was resolved in order to issue shares required to satisfy conversion rights stemming from debentures that may be issued on the basis of the authorization of issuance resolved by the Annual General Meeting held on May 9, 2018. The share capital is conditionally increased by up to € 242,550,413.00 through the issuance of up to 242,550,413 new no-par-value registered shares with an entitlement to dividend (2018 conditional capital).

The Annual General Meeting on June 30, 2020, did not pass any resolutions to adjust the conditional capital.

Authorization to Purchase Own Shares

On the basis of the resolution passed by the Annual General Meeting in 2018, the Management Board was authorized to purchase shares in the company on or before May 8, 2023, of up to a total of 10% of the company's share capital at the time of the resolution.

(6) Capital Reserves

Development of Capital Reserves

in €	Section 272 (2) No. 1 HGB	Section 272 (2) No. 4 HGB	Total capital reserves
As of Jan. 1, 2020	**1,012,673,106.76**	**7,342,980,919.12**	**8,355,654,025.88**
Capital increase against cash contributions on May 08, 2020	–	986,000,000.00	986,000,000.00
Capital increase against non-cash contributions on July 30, 2020 (scrip dividend)	–	340,194,883.34	340,194,883.34
Withdrawals from capital reserves	–	-522,170,759.99	-522,170,759.99
As of Dec. 31, 2020	**1,012,673,106.76**	**8,147,005,042.47**	**9,159,678,149.23**

In the 2020 fiscal year, capital reserves increased by € 1,326.2 million from the issue of new shares. Pursuant to the terms of the resolution, it was treated as a miscellaneous contribution in accordance with Section 272 (2) No. 4 HGB.

This was offset by withdrawals from capital reserves in the amount of € 522.2 million to derive the 2020 distributable profit for presentation of the appropriation of profit of € 1.69 per share or € 956,349,535.31 in total.

(7) Other Revenue Reserves

Development of Other Revenue Reserves

in €	Dec. 31, 2020
As of Jan. 1, 2020	470,000,000.00
Withdrawals from other retained earnings as per Dec. 31, 2020	-470,000,000.00
As of Dec. 31, 2020	-

There is no need to hold a legal reserve given that capital reserves already exceed one-tenth of share capital.

(8) Retained Profit

Development of Net Income for the Year

in €	Dec. 31, 2020
As of Jan. 1, 2020	912,721,577.83
Dividend distribution	-851,369,569.27
Balance carried forward	61,352,008.56
Net loss for the fiscal year recognized in the income statement	-53,522,768.55
Withdrawals from capital reserves	522,170,759.99
Withdrawals from other revenue reserves	470,000,000.00
Profit carried forward from previous year	61,352,008.56
As of Dec. 31, 2020	1,000,000,000.00

The Annual General Meeting held on June 30, 2020, resolved to pay a dividend for the 2019 fiscal year in the amount of € 1.57 per share. This corresponds to a total distribution of € 851,369,569.27.

After offsetting the net loss for the year of € 53,522,768.55 against the profit carried forward from the previous year of € 61,352,008.56 the Management Board withdrew a further € 470,000,000.00 from retained earnings and € 522,170,759.99 from capital reserves, resulting in a net profit for the 2020 fiscal year of € 1,000,000,000.00.

(9) Provisions for Pensions and Similar Obligations

The fair value of the employer's pension liability insurance corresponds to the asset value at the balance sheet date confirmed by the insurance company. The fair value of the securities corresponds to the stock market price on the balance sheet date.

Development of Provisions for Pensions and Similar Obligations

in € k	Dec. 31, 2019	Dec. 31, 2020
Settlement amount for pensions and similar obligations	72,987	80,085
Netting		
Fair value of employer's pension liability insurance	-3,063	-3,038
Fair value of securities and bank balances	-2,474	-2,894
Net liability recognized in the balance sheet	67,450	74,153
Provision for pensions recognized in the balance sheet	**67,450**	**74,153**
Cost of employer's pension liability insurance	3,063	3,038
Cost of securities and bank balances	2,568	2,974

The income resulting from the plan assets, as well as the write-downs to fair value, were offset against interest expenses for provisions for pensions as follows:

Interest Expenses for Provisions for Pensions

in € k	2019	2020
Employer's pension liability insurance:		
Current income (pension payments)	157	160
Write-down due to change in fair value	-50	-25
Securities:		
Distribution of earnings	37	9
Write-down due to change in fair value	-17	13
Income from plan assets	127	157
Interest expense from changes in the discount rate	-5,684	-5,147
Interest accretion to provisions for pensions, current fiscal year	-2,052	-1,954
Interest expense after netting	**-7,609**	**-6,944**

(10) Other Provisions

The other provisions largely include provisions for outstanding invoices and personnel expenses. In particular, the provisions for personnel expenses include amounts for long-term incentive plans (hereinafter: LTIP) totaling € 24,496 k as well as provisions for special payments.

(11) Liabilities

The liabilities are broken down by residual term as follows:

	Dec. 31, 2019				Dec. 31, 2020			
		Of which with a residual term of				Of which with a residual term of		
in € k	Total	< 1 year	1-5 years	Over 5 years	Total	< 1 year	1–5 years	Over 5 years
Liabilities to banks	1,109,049	10,020	540,680	558,349	1,257,746	178,820	843,166	235,760
Trade payables	1,394	1,394	–	–	1,149	1,149	–	–
Liabilities to affiliated companies	12,851,401	12,851,401	–	–	13,616,151	13,616,151	–	–
Other liabilities	13,969	13,969	–	–	9,662	9,662	–	–
(of which from taxes)	(8.786)				(5.813)			
Total	**13,975,813**	**12,876,784**	**540,680**	**558,349**	**14,884,708**	**13,805,782**	**843,166**	**235,760**

The liabilities to affiliated companies mainly result from intercompany loans vis-à-vis Vonovia Finance B.V., Amsterdam, the Netherlands arising from the passing on of bonds in the amount of € 11,199,288 k (prior year: € 8,545,698 k) and cash pooling in the amount of € 1,912,808 k (prior year: € 3,800,700 k).

D. Notes to the Income Statement

(12) Revenue

Revenues include income from the settlement of intra-Group services in the amount of € 179,706 k and other revenue of € 1,643 k. € 179,858 k of the revenue relates to Germany and € 1,491 k to other EU countries.

(13) Other Operating Income

Other operating income includes income from the intra-Group charging on of vehicle leasing expenses in the amount of € 28,722 k and from repayments in the amount of € 10,751 k.

It also includes prior-period income in the amount of € 10,289 k, mainly resulting from the reversal of provisions and the reversal of individual loss allowances.

(14) Cost of Purchased Services

The cost of purchased services results mainly from intra-Group services in the amount of € 73,223 k.

(15) Expenses for Pensions and Other Employee Benefits

Expenses for pensions amount to € 2,458 k (prior year: € 2,252 k).

(16) Other Operating Expenses

This item mainly includes IT costs (€ 30,089 k), vehicle leasing expenses (€ 29,351 k), legal and consultancy costs (€ 28,214 k), expenses for the passing on of income arising from repayment waivers (€ 10,751 k), advertising costs (€ 8,818 k) and expenses for leased business premises (€ 7,978 k). It also includes prior-period expenses in the amount of € 1,523 k, which mainly result from the passing on of a VAT refund to a subsidiary.

(17) Income from Non-current Equity Investments

Income from long-term equity investments includes the transfer of profit from AVW Assekuranzvermittlung der Wohnungswirtschaft GmbH & Co. KG, Hamburg, in the amount of € 9,320 k and Deutsche Annington WOGE Vier Bestands GmbH & Co. KG, Bochum, in the amount of € 4,182 k. Of this income, € 4,182 k (prior year: € 3,677 k) relates to affiliated companies.

(18) Income from Profit-and-loss Transfer Agreements

Income from profit-and-loss transfer agreements include the transfer of profits from DAAH in the amount of € 152.6 million. This profit has mainly been influenced by gains from currency translations, as well as reversals of write-downs on non-current financial assets.

(19) Other Interest and Similar Income

Of the other interest and similar income, € 21,738 k (prior year: € 17,880 k) relates to affiliated companies.

(20) Interest and Similar Expenses

Of the interest and similar expenses, € 204,776 k (prior year: € 54,534 k) is attributable to affiliated companies. The expenses arising from the unwinding of discounting for provisions amount to € 7,126 k (prior year: € 7,846 k).

(21) Taxes on Income

As the controlling company, the company is the tax debtor for the profit transfer agreements with its affiliated companies. The expense reported relates to taxes for the current year and prior years.

Deferred taxes are not contained in the taxes on income owing to not exercising the accounting option for deferred tax assets. The future tax relief not recognized is mainly attributable to timing differences in the accounting for housing stocks of the subsidiaries, as well as to tax loss carryforwards of the company.

E. Other Information

Contingent Liabilities

Vonovia has given a guarantee for the liabilities of its subsidiary Vonovia Finance B.V. These liabilities result from the issuance of bonds, including a commercial paper program of around € 15.5 billion as of December 31, 2020.

In September 2019, Vonovia Finance B.V. concluded a secured financing amounting to € 168 million with Commerzbank AG, which is secured by real estate liens on properties owned by GAGFAH GmbH, Bochum. Vonovia has provided a guarantee for this financing for the entire duration of the loan agreement until September 2029.

In August 2019, Vonovia Finance B.V. concluded an unsecured promissory note with M.M. Warburg as the first lender for € 50 million, which is due for repayment on August 28, 2026. The loan was transferred as planned to Debeka (Debeka Krankenversicherungsverein auf Gegenseitigkeit FI/RV [€ 45 million], Debeka Zusatzversorgungskasse V.a.G. [€ 3 million] and Debeka Allgemeine Versicherung Aktiengesellschaft [€ 2 million]). Vonovia acts as guarantor for the entire term of the loan in the promissory note loan agreement.

In April 2019, Victoria Park AB entered into a general loan agreement with Commerzbank AG for a revolving line of credit of SEK 1,050 million secured by a guarantee from Vonovia. The credit line was drawn down to SEK 850 million as of the reporting date.

Between February and November 2020, Vonovia Finance B.V. concluded five secured financing agreements with a total volume of € 884 million with various German banks, with each agreement secured by real estate liens on properties owned by GAGFAH GmbH, Bochum, and Deutsche Annington Beteiligungsverwaltungs GmbH, Bochum (hereinafter referred to in short as DA Beteiligung). Vonovia has provided a guarantee for each financing agreement for the duration of each loan agreement until July 2030 at the latest.

In December 2020, Vonovia Finance B.V. signed a further loan agreement in the amount of € 200 million and with a term running until December 2030 with BerlinHyp AG. This financing agreement, which is secured by means of real estate liens on properties owned by DA Beteiligung and BUWOG - Berlin Wohnen GmbH, Kiel, is further underwritten by a guarantee from Vonovia. The disbursement of the loan amount is scheduled for the first quarter of 2021.

In connection with the acquisition of H&L Immobilien GmbH residential property GmbH by DAAH as of the balance sheet date of December 31, 2020, Vonovia has granted a directly enforceable guarantee for the liabilities arising from the loans totaling approx. € 25 million taken out with Danish bank Nykredit Realkredit A/S, with a maximum term until December 2031, in connection with this acquisition.

In July 2020, Vonovia issued a guarantee for all current and future liabilities of its Swedish subsidiaries to the Swedish bank SBAB Bank AB. As of the balance sheet date, the volume of these liabilities amounted to SEK 6.3 billion, or € 628 million, with a latest possible final maturity of June 2026.

In 2019, Vonovia issued declarations of indemnification for the cash pooling groups of BUWOG Group GmbH and conwert Treasury OG (merged with BUWOG Holding GmbH in 2020) for the companies involved in cash pooling. On account of a restructuring of the Austrian cash pool, the declaration of indemnification for BUWOG Group GmbH was annulled as of June 30, 2020. The remaining liability will only take effect insofar as BUWOG Holding GmbH should itself not be in a position to satisfy the claims of the banks executing cash pooling and shall be limited to the amount of the credit balance amounts transferred to Vonovia from the Austrian cash pooling group.

Vonovia has entered into an obligation vis-à-vis a minority shareholder of a Group company stating that it will assume the payment obligations for a guaranteed dividend if this company fails to meet these obligations. The maximum obligation amounts to € 14.2 million as of December 31, 2020.

There is a letter of comfort given to the seller of shares in ten railway housing companies in which Vonovia undertakes to provide these companies with sufficient own funds and liquidity on a long-term basis in order to meet and fulfill their obligations under the privatization contract for the shares in the companies dated December 14/15, 2000. The obligations comprise guarantees for the provision of housing as well as employment guarantees.

There is a letter of comfort given to the sellers in connection with the acquisition of the shares in SEED 1 GmbH by DAAH with regard to fulfilling all liabilities and obligations of DAAH arising out of the underlying share purchase agreement. This letter of comfort is limited to € 85 million and expires on December 31, 2024.

A letter of comfort has been issued to the general contractor Ten Brinke Industrie und Gewerbebau GmbH & Co. KG, Coesfeld, in connection with the conclusion of a general contractor agreement (hereinafter referred to in short as: the GC agreement) with SEED 1 GmbH (as the legal successor of the parties involved at the time) on the construction of a building project in Berlin with a view to meeting all obligations and commitments under the GC agreement. This letter of comfort is limited to € 40 million and expires on March 1, 2027.

There is a letter of comfort given to the Group company Diak-Nd Pflege-Altenheime Besitz GmbH, Berlin, to avoid insolvency. This letter of comfort is limited to € 10 million and expires on June 30, 2025.

Investor agreements were concluded in connection with the acquisition of the minority interests in the property companies in the SüDeWo and Vitus portfolios by Kirchliche Zusatzversorgungskasse des Verbandes der Diözesen Deutschlands (KZVK), Cologne. Under Item 1.1, Vonovia is responsible for ensuring that KZVK receives the annual compensation payments as per the existing profit-and-loss transfer agreements (for Vitus, € 1.4 million; for SüDeWo € 3.4 million). The investor agreements initially run until December 31, 2029, and are then each extended for a period of five years, if not terminated by KZVK.

An investor agreement was concluded in connection with the acquisition of the minority interests in the property companies in the Franconia portfolio by Versorgungskasse der Angestellten der Norddeutschen Affinerie VVaG, Hamburg, and Fürsorgeverein der Norddeutschen Affinerie e.V., Hamburg (collectively referred to as "Aurubis"). Under Item 2.1 of the investor agreement, Vonovia is responsible for ensuring that Aurubis receives the annual compensation payments as per the existing profit-and-loss transfer agreement (max. € 0.6 million). The investor agreements initially run until December 31, 2030, and are then each extended for a period of five years, if not terminated by KZVK.

Vonovia only assumes contingent liabilities after carefully weighing the risks. Based on the ongoing assessment of the risk situation for the contingent liabilities that have been assumed and taking into account the information obtained up until the time of preparation of these financial statements, Vonovia currently expects the main debtors to be able to meet the obligations underlying these contingent liabilities. As a result, it considers the risk of claims arising from any of the contingent liabilities listed above to be unlikely.

Other Financial Obligations

The other financial obligations are as follows:

in € k	2021	2022	2023	2024	from 2025	Total
Rental and service contracts	26,676	14,008	12,007	4,937	13,687	71,315
of which to affiliated companies	3,462	3,325	3,325	3,325	11,360	24,797
Cable TV service contracts	8,676	9,069	9,069	9,069	87,437	123,320
Total	**35,352**	**23,077**	**21,076**	**14,006**	**101,124**	**194,635**

In the 2011 fiscal year, Deutsche Multimedia Service GmbH, Bochum, signed contracts with Telekom Deutschland GmbH, Bonn, with a view to creating a joint strategic partnership. As regards assumption of debt, Telekom Deutschland GmbH and Vonovia have agreed that, in addition to Deutsche Multimedia Service GmbH, Vonovia will jointly and severally enter into all existing and future obligations arising from the contracts. As of the balance sheet date, there are financial obligations of € 123 million resulting from cable TV service contracts (prior year: € 132 million). These obligations are offset against future income from marketing the cable TV service to tenants.

Additional financial obligations may arise under the existing profit-and-loss transfer agreements with subsidiaries.

Employees

In the 2020 fiscal year, an average of 161 employees (prior year: 168) were employed at the company, 128 of whom were full-time employees and 33 of whom were part-time.

Shareholdings in Accordance with Section 285 (11) and (11a) HGB

The list of shareholdings is provided in Annex 2 to these Notes.

Auditor's Services

For information on the fees charged for the services rendered by the auditor in the fiscal year for Vonovia SE and their subsidiaries, we refer to the relevant passages in the Notes to the consolidated financial statements.

All of the services rendered were consistent with the activities performed as the auditor of the annual financial statements and consolidated financial statements of Vonovia SE. The fee paid for auditing services performed by KPMG AG Wirtschaftsprüfungsgesellschaft relates to the audit of the consolidated financial statements and annual financial statements of Vonovia SE as well as to various audits of annual financial statements and a review of one set of annual financial statements of Group companies. The consolidated interim financial statements were reviewed and the financial statements were audited in accordance with audit standard IDW PS 490.

The other confirmation services mainly include reviews of reconciliations on the interest threshold based on audit standard IDW PS 900, business audits performed in accordance with Section 2 of the Act on the Code of Professional Practice for German Public Auditors (WPO) on compliance with the regulations governing loans granted by the German government-owned development bank KfW and business audits pursuant to ISAE 3000 relating to the non-financial report and various housing assistance reports. Other confirmation services also included services associated with the issue of comfort letters pursuant to audit standard IDW PS 910, a review of the tax compliance management system pursuant to audit standard IDW PS 980 and the issue of valuation certificates.

Governing Bodies

Members of the Management Board

The Management Board of Vonovia SE consisted of four members as of December 31, 2020.

Rolf Buch, Chairman of the Management Board

Function: Chief Executive Officer
Responsible for transactions, Value-add, general counsel, investor relations, IT, HR management, auditing, corporate communications and sustainability/strategy.

Appointment:
> Kötter Group (Member of the Council of Shareholders)[2]

Arnd Fittkau, Member of the Management Board

Function: Chief Rental Officer
Responsible for the Rental segment in the North, East, South, and West business areas, as well as for customer service and portfolio and tenant management.

Appointment:
> STEAG Fernwärme GmbH (Member of the Advisory Board)[2]

Helene von Roeder, Member of the Management Board

Function: Chief Financial Officer
Responsible for controlling, finance, property evaluation, accounting, tax, insurance, central procurement and Immobilien Treuhand.

Appointments:
> AVW Versicherungsmakler GmbH (Member of the Supervisory Board)[2]
> E. Merck KG (Member of the Council of Shareholders)[2]
> Merck KGaA (Member of the Supervisory Board)[1]
> Vonovia Finance B.V. (Member of the Supervisory Board)[2, 4]

Daniel Riedl, Member of the Management Board

Function: Chief Development Officer
Responsible for development in Austria, development in Germany and operating business in Austria.

Members of the Supervisory Board

The Supervisory Board currently consists of twelve members, all of whom were elected for a statutory term of office by the Annual General Meeting held on May 9, 2018.

Jürgen Fitschen, Chairman

Senior Advisor at Deutsche Bank AG

Appointments:
> CECONOMY AG (Chairman of the Supervisory Board)[1]
> Kommanditgesellschaft CURA Vermögensverwaltung GmbH & Co. KG (Member of the Administrative Board)[2]
> Syntellix AG (Member of the Supervisory Board)[2]

Prof. Dr. Edgar Ernst, Deputy Chairman

President of the German Financial Reporting Enforcement Panel (FREP)

Appointments:
> METRO AG (Member of the Supervisory Board)[1]
> TUI AG (Member of the Supervisory Board)[1]

Burkhard Ulrich Drescher
Managing Director of Innovation City Management GmbH

Appointment:
> STEAG Fernwärme GmbH (Member of the Advisory Board)[2]

Vitus Eckert
Attorney, Shareholder and Managing Director of Eckert Fries Carter Rechtsanwälte GmbH

Appointments:
> STANDARD Medien AG (Chairman of the Supervisory Board)[2]
> S. Spitz GmbH (Deputy Chairman of the Supervisory Board)[2]
> Vitalis Food Vertriebs-GmbH (Chairman of the Supervisory Board, group company of S. Spitz GmbH)[2]
> Simacek Holding GmbH (Chairman of the Supervisory Board)[2]
> Simacek Facility Management Group GmbH (Chairman of the Supervisory Board, group company of Simacek Holding GmbH)[2]

Dr. Florian Funck
Member of the Management Board of Franz Haniel & Cie. GmbH

Appointments:
> CECONOMY AG (Member of the Supervisory Board)[1]
> TAKKT AG (Chairman of the Supervisory Board)[3]

Dr. Ute Geipel-Faber
Self-employed management consultant

Appointments:
> Bayerische Landesbank (Member of the Supervisory Board)1

Daniel Just
Chairman of Bayerische Versorgungskammer

Appointments:
> DWS Grundbesitz GmbH (1st Deputy Chairman of the Supervisory Board)[2]
> Universal Investment GmbH (Member of the Supervisory Board)[2]
> GLL Real Estate Partners GmbH (Member of the Administrative Board)[2]

Hildegard Müller
President of the German Association of the Automotive Industry (VDA)

Appointments:
> Siemens Energy AG (Member of the Supervisory Board)[1]
> Siemens Energy Management GmbH (Member of the Supervisory Board, group company of Siemens Energy AG)[1]
> RAG-Stiftung (Member of the Board of Trustees)[2]

Prof. Dr. Klaus Rauscher
Self-employed management consultant

Appointment:
> Innogy SE (Member of the Supervisory Board)[1]

Dr. Ariane Reinhart
Member of the Management Board of Continental AG

Clara-Christina Streit
Self-employed management consultant

Appointments:
> NN Group N.V. (Member of the Supervisory Board)[2]
> Jerónimo Martins SGPS S.A. (Member of the Administrative Board)[2]
> Vontobel Holding AG (Member of the Administrative Board)[2]
> Deutsche Börse AG (Member of the Supervisory Board)[1]

Christian Ulbrich
President and Chief Executive Officer Jones Lang LaSalle Incorporated

Remuneration Paid to Board Members

Remuneration of the Supervisory Board

The members of the Supervisory Board received total remuneration of € 1.8 million during the fiscal year (prior year: € 1.8 million) for their service on the board. Information on the individual remuneration of the Vonovia Supervisory Board members is given in the remuneration report, which is part of the combined management report.

1) Supervisory Board mandates in accordance with Section 100 (2) of the German Stock Corporation Act (AktG)
2) Membership in comparable German and foreign supervisory bodies of commercial enterprises
3) Exempted Group mandates in accordance with Section 100 (2) No. 2 of the German Stock Corporation Act (AktG)
4) Other Group bodies

Remuneration of the Management Board

The total remuneration paid to the individual members of the Management Board comprises the following:

Total remuneration of the Management Board in €	Rolf Buch, CEO		Arnd Fittkau, CRO		Klaus Freiberg, COO until May 16, 2019	
	2019	2020	2019	2020	2019	2020
Fixed remuneration	1,150,000	1,200,000	375,000	700,000	225,000	–
Compensation payment	–	–	–	–	–	–
Deferred compensation	355,000	400,000	100,000	160,000	60,000	–
Fringe benefits	27,453	30,303	18,721	30,758	10,350	–
Total	**1,532,453**	**1,630,303**	**493,721**	**890,758**	**295,350**	**–**
Annual variable remuneration (bonus)	665,000	794,000	275,000	440,000	308.000*	–
Multi-year variable remuneration (LTIP plan):						
2019–2022	1,949,085	–	477,053	–	820.667**	–
2020–2023	–	2,417,641	–	889,247	–	–
(number of shares)	46,151	46,169	9,531	16,982	19,432	–
Total	**2,614,085**	**3,211,641**	**752,053**	**1,329,247**	**1,128,667**	**–**
Total remuneration	**4,146,538**	**4,841,944**	**1,245,774**	**2,220,005**	**1,424,017**	**–**

* STIP payout agreed in the termination.

** LTIP is granted for the complete fiscal year regardless of the termination during the year.

Total remuneration of the Management Board in €	Daniel Riedl, CDO		Helene von Roeder, CFO		Total remuneration	
	2019	2020	2019	2020	2019	2020
Fixed remuneration	100,000	200,000	600,000	700,000	2,450,000	2,800,000
Compensation payment	–	–	64,874	64,874	64,874	64,874
Deferred compensation	–	–	160,000	160,000	675,000	720,000
Fringe benefits	17,884	4,537	29,608	25,003	104,016	90,601
Total	**117,884**	**204,537**	**854,482**	**949,877**	**3,293,890**	**3,675,475**
Annual variable remuneration (bonus)	135,485	140,000	425,812	440,000	1,809,297	1,814,000
Multi-year variable remuneration (LTIP plan):						
2019–2022	820,667	–	820,667	–	4,888,139	–
2020–2023	–	889,247	–	889,247	–	5,085,382
(number of shares)	19,432	16,982	19,432	16,982	113,978	97,115
Total	**956,152**	**1,029,247**	**1,246,479**	**1,329,247**	**6,697,436**	**6,899,382**
Total remuneration	**1,074,036**	**1,233,784**	**2,100,961**	**2,279,124**	**9,991,326**	**10,574,857**

Pension Obligations to Members of the Management Board

Rolf Buch, Helene von Roeder and Arnd Fittkau are paying their contractual share of € 400,000 (Rolf Buch) and € 160,000 each (Helene von Roeder and Arnd Fittkau), based on their fixed remuneration, into the deferred compensation scheme. The annual benefit contribution for Daniel Riedl of € 200,000 and the contractually agreed additional pension remuneration of € 300,000 – both on the part of BUWOG – are paid into an external pension fund.

The pension obligations to members of the Management Board from deferred compensation comprise the following:

in €	Total pension expenses as of Dec. 31		Defined benefit obligation in accordance as of Dec. 31	
	2019	2020	2019	2020
Rolf Buch	610,476	761,707	3,923,684	5,201,074
Helene von Roeder	303,307	382,348	551,994	1,046,509
Arnd Fittkau	218,524	401,034	218,524	699,514

Remuneration of Former Management Board Members and Their Surviving Dependents

Total remuneration of former Management Board members and their surviving dependents amounts to € 1.7 million for the 2020 fiscal year (prior year: € 0.7 million). In accordance with the provisions of the termination agreement with Klaus Freiberg, total remuneration includes compensation payable following termination of the contract of employment on December 31, 2019, amounting to € 1.4 million.

The pension obligations to former members of the Management Board and their surviving dependents amount to € 16.8 million (prior year: € 15.8 million).

Appropriation of Profit

Vonovia SE closed the 2020 fiscal year with a net loss for the year of € 53,522,768.55. After offsetting this net loss for the year against the profit carried forward from the previous year of € 61,352,008.56, the Management Board withdrew a further € 470,000,000.00 from retained earnings and € 522,170,759.99 from capital reserves, resulting in a net profit for the 2020 fiscal year of € 1,000,000,000.00.

The Management Board and the Supervisory Board propose to the Annual General Meeting that, of the profit of Vonovia SE for the 2020 fiscal year of € 1,000,000,000.00, an amount of € 956,349,535.31 on the 565,887,299 shares of the share capital as of December 31, 2020 (corresponding to € 1.69 per share) be paid as a dividend to the shareholders, and that the remaining amount of € 43,650,464.69 be carried forward to the new account or be used for other dividends on shares carrying dividend rights at the time of the Annual General Meeting and which go beyond those as of December 31, 2020.

As with the 2018 and 2019 fiscal years, the dividend for the 2020 fiscal year, payable after the Annual General Meeting in April 2021, will again include the option of a non-cash dividend in shares, provided the Supervisory Board considers this to be economically sensible for both the company and the shareholders.

Subsequent Events

On January 12, 2021, Vonovia SE issued a tokenized registered bond of € 20.0 million with a term of three years via the online marketplace firstwire. The investor is M.M. Warburg.

On January 11, 2021, the Management Board of Vonovia SE decided to merge Vonovia Finance B.V., Amsterdam, Netherlands, with Vonovia SE on a cross-border basis. The notarized deeds regarding the transaction were not yet drawn up at the time of reporting.

Declaration in Accordance with Section 160 (1) No. 8 of the German Stock Corporation Act (AktG)

In accordance with Article 61 of the SE regulations and in connection with Section 160 (1) No. 8, information shall be given relating to the existence of a shareholding that has been notified pursuant to Section 21 (1) or (1a) of the German Securities Trading Act (WpHG).

The notifications made to Vonovia are listed in Annex 3 to the Notes. The list shows the most recent relevant notifications for the 2019 fiscal year made by each party obliged to notify.

Declaration Pursuant to Section 161 AktG

The declaration on the German Corporate Governance Code to be made by Vonovia in accordance with Section 161 AktG is available to shareholders and interested parties on the company's website (www.vonovia.de).

Bochum, February 23, 2021

Vonovia SE
The Management Board

Rolf Buch | Arnd Fittkau

Helene von Roeder | Daniel Riedl

Statement of Changes in Fixed Assets

Annex 1 to the Notes

in €	Acquisition and production costs Balance on Jan. 1, 2020	Additions	Disposals	Balance on Dec. 31, 2020
I. Intangible assets				
Commercial and industrial property rights and similar rights	52,800,351.30	8,441,332.22	12,658.79	61,229,024.73
	52,800,351.30	8,441,332.22	12,658.79	61,229,024.73
II. Property, plant and equipment				
Other equipment, fixtures, furniture and office equipment	39,659,529.90	9,349,236.51	3,342,263.91	45,666,502.50
	39,659,529.90	9,349,236.51	3,342,263.91	45,666,502.50
III. Financial assets				
1. Shares in affiliated companies	20,476,156,617.87	120,000,000.00	–	20,596,156,617.87
2. Non-current equity investments	1,560.00	–	–	1,560.00
3. Non-current securities	40,763.42	–	–	40,763.42
4. Other non-current loans	4,654.70	–	1,357.62	3,297.08
	20,476,203,595.99	120,000,000.00	1,357.62	20,596,202,238.37
	20,568,663,477.19	**137,790,568.73**	**3,356,280.32**	**20,703,097,765.60**

	Accumulated depreciation				Carrying amount	
	Balance on Jan. 1, 2020	Additions	Disposals	Balance on Dec. 31, 2020	Balance on Dec. 31, 2019	**Balance on Dec. 31, 2020**
	33,199,996.56	10,050,164.81	1,054.90	43,249,106.47	19,600,354.74	17,979,918.26
	33,199,996.56	10,050,164.81	1,054.90	43,249,106.47	19,600,354.74	17,979,918.26
	26,158,397.18	10,469,413.79	3,342,263.90	33,285,547.07	13,501,132.72	12,380,955.43
	26,158,397.18	10,469,413.79	3,342,263.90	33,285,547.07	13,501,132.72	12,380,955.43
	297,000.00	–	230,000.00	67,000.00	20,475,859,617.87	20,596,089,617.87
	–	–	–	–	1,560.00	1,560.00
	–	–	–	–	40,763.42	40,763.42
	–	–	–	–	4,654.70	3,297.08
	297,000.00	–	230,000.00	67,000.00	20,475,906,595.99	20,596,135,238.37
	59,655,393.74	**20,519,578.60**	**3,573,318.80**	**76,601,653.54**	**20,509,008,083.45**	**20,626,496,112.06**

List of Vonovia SE Shareholdings

As of December 31, 2020 in Accordance with Section 285 (11) of the German Commercial Code (HGB)
Annex 2 to the Notes

Unless otherwise indicated, the disclosures relate to the figures of the most recent available annual financial statements as of December 31, 2019.

Company	Company domicile	Interest %	Equity € k	Net income/ loss for the year € k	
Germany					
Alboingärten Bauvorhaben Bessemerstraße GmbH	Schönefeld	100.00	-2,113	-72	
alt+kelber Immobilienverwaltung GmbH	Berlin	100.00	52	0	1)
AVW GmbH & Co. KG	Hamburg	0.67	325	18,988	
Barmer Wohnungsbau GmbH	Wuppertal	91.39	20,369	3,037	
Barmer Wohnungsbau Grundbesitz I GmbH	Wuppertal	100.00	7,418	-292	
Barmer Wohnungsbau Grundbesitz IV GmbH	Wuppertal	100.00	25	0	1)
Barmer Wohnungsbau Grundbesitz V GmbH	Wuppertal	100.00	777	0	1)
Baugesellschaft Bayern mbH	Munich	94.90	154,826	8,309	
Bau- und Siedlungsgesellschaft Dresden mbH	Dresden	94.73	1,673	0	1)
Beamten-Baugesellschaft Bremen Gesellschaft mit beschränkter Haftung	Bremen	94.90	14,396	5,028	
Bien-Ries Bautechnik GmbH	Hanau	100.00	200	0	1)
Bien-Ries GmbH	Hanau	100.00	46,182	9,266	
Börsenhof A Besitz GmbH	Bremen	94.00	-7,115	270	
Bremische Gesellschaft für Stadterneuerung, Stadtentwicklung und Wohnungsbau mit beschränkter Haftung	Bremen	94.90	-21,970	-15,933	
Bundesbahn-Wohnungsbaugesellschaft Kassel Gesellschaft mit beschränkter Haftung	Kassel	94.90	29,095	-296	
Bundesbahn-Wohnungsbaugesellschaft Regensburg mbH	Regensburg	94.90	53,177	-47	
BUWOG - Bauen und Wohnen Deutschland 1 GmbH	Schönefeld	100.00	2,585	-223	
BUWOG - Bauen und Wohnen Deutschland 2 GmbH	Berlin	100.00	-3	-8	
BUWOG - Bauen und Wohnen Deutschland 3 GmbH	Berlin	100.00	-4,494	-426	
BUWOG - Bauen und Wohnen Leipzig GmbH	Leipzig	100.00	4,700	-291	
BUWOG Bauträger GmbH	Berlin	94.90	-2,651	45	
BUWOG - Berlin I GmbH & Co. KG	Bochum	94.90	11,447	786	
BUWOG - Berlin II GmbH	Kiel	94.90	1,134	0	1)
BUWOG - Berlin Kreuzberg I GmbH & Co. KG	Bochum	94.90	1,085	1	
BUWOG - Berlin Wohnen GmbH	Kiel	94.90	-8,563	-3,249	
BUWOG - Berlin Wohnen II GmbH	Kiel	94.90	1,335	0	1)
BUWOG - Berlin Wohnen III GmbH	Kiel	94.90	-165	-106	
BUWOG - Braunschweig I GmbH	Kiel	94.90	27,369	0	1)
BUWOG - Gartenfeld Development GmbH	Berlin	94.90	-2,274	-528	

Company	Company domicile	Interest %	Equity € k	Net income/ loss for the year € k	
BUWOG - Gartenfeld Wohnen GmbH	Kiel	94.90	-1,136	-653	
BUWOG - Gervinusstraße Development GmbH	Berlin	100.00	-1,901	-873	
BUWOG - Goethestraße Development GmbH	Berlin	94.90	-749	1,572	
BUWOG - Grundstücks- und Betriebs GmbH	Kiel	94.90	-881	-366	
BUWOG - Hamburg Süd GmbH	Kiel	94.90	3,619	0	1)
BUWOG - Hamburg Umland I GmbH	Kiel	94.90	9,294	0	1)
BUWOG - Hamburg Umland II GmbH	Kiel	94.90	25,061	0	1)
BUWOG - Hamburg Wohnen GmbH	Kiel	100.00	-294	217	
BUWOG - Harzer Straße Development GmbH	Berlin	94.90	2,396	-689	
BUWOG - Hausmeister GmbH	Kiel	100.00	-1,007	-432	
BUWOG - Heidestraße Development GmbH	Berlin	94.90	-4,472	142	
BUWOG - Herzogtum Lauenburg GmbH	Kiel	94.90	9,384	0	1)
BUWOG - Immobilien Management GmbH	Kiel	100.00	-19,185	600	
BUWOG Immobilien Treuhand GmbH	Bochum	100.00	25	0	1)
BUWOG - Jahnstraße Development GmbH	Berlin	94.90	2,690	-277	
BUWOG Kassel I GmbH & Co. KG	Bochum	94.90	16,645	295	
BUWOG Kassel II GmbH & Co. KG	Bochum	94.90	104	-381	
BUWOG - Kassel Verwaltungs GmbH	Kiel	100.00	86	17	
BUWOG Kiel I GmbH & Co. KG	Bochum	94.90	8,451	996	
BUWOG - Kiel II GmbH	Kiel	94.90	6,932	0	1)
BUWOG - Kiel III GmbH	Kiel	94.90	8,838	0	1)
BUWOG - Kiel IV GmbH	Kiel	94.90	1,286	0	1)
BUWOG - Kiel Meimersdorf GmbH	Kiel	94.90	882	0	1)
BUWOG - Kiel V GmbH	Kiel	94.90	24,004	0	1)
BUWOG-Lindenstraße Development GmbH	Berlin	100.00	2,626	-1,205	
BUWOG - Lübeck Hanse I GmbH	Kiel	94.90	6,585	0	1)
BUWOG - Lübeck Hanse II GmbH	Kiel	94.90	36	0	1)
BUWOG - Lübeck Hanse III GmbH	Kiel	94.90	65,446	0	1)
BUWOG - Lübeck Hanse IV GmbH	Kiel	94.90	19,464	0	1)
BUWOG - Lückstraße Development GmbH	Berlin	94.90	-3,094	-918	
BUWOG - Lüneburg GmbH	Kiel	94.90	-2,661	873	
BUWOG - Mariendorfer Weg Development GmbH	Berlin	94.90	-2,443	-239	
BUWOG - NDL I GmbH	Kiel	100.00	41,370	4,699	
BUWOG - NDL II GmbH	Kiel	100.00	3,466	-220	
BUWOG - NDL III GmbH	Kiel	100.00	1,133	245	
BUWOG - NDL IV GmbH	Kiel	100.00	12,309	1,619	
BUWOG - NDL IX GmbH	Kiel	100.00	684	190	
BUWOG - NDL V GmbH	Kiel	100.00	323	113	
BUWOG - NDL VI GmbH	Kiel	100.00	15,045	3,025	
BUWOG - NDL VII GmbH	Kiel	100.00	9,099	2,013	
BUWOG - NDL VIII GmbH	Kiel	100.00	7,121	-550	
BUWOG - NDL X GmbH	Kiel	100.00	-4,728	-4,048	
BUWOG - NDL XI GmbH	Kiel	100.00	-3,109	-2,414	
BUWOG - NDL XII GmbH	Kiel	100.00	17,228	3,148	
BUWOG - NDL XIII GmbH	Kiel	100.00	206	-3,983	
BUWOG - Niedersachsen/Bremen GmbH	Kiel	94.90	1,741	0	1)
BUWOG - Parkstraße Development GmbH	Berlin	94.90	1,006	-1,395	

Company	Company domicile	Interest %	Equity € k	Net income/ loss for the year € k	
BUWOG Projektmanagement GmbH	Berlin	100.00	25	0	5)
BUWOG - Regattastraße Development GmbH	Berlin	100.00	14,522	-3,041	
BUWOG - Region Ost Development GmbH	Berlin	100.00	200	-302	
BUWOG - Scharnhorststraße 26–27 Development GmbH	Berlin	100.00	265	-94	
BUWOG - Schleswig-Holstein GmbH	Kiel	94.90	2,799	0	1)
BUWOG Spandau 1 GmbH & Co. KG	Kiel	100.00	12,529	-430	
BUWOG Spandau 2 GmbH & Co. KG	Kiel	100.00	17,329	-236	
BUWOG Spandau 3 GmbH & Co. KG	Kiel	100.00	15,229	-122	
BUWOG - Spandau Primus GmbH	Kiel	100.00	23	-3	
BUWOG Syke GmbH	Kiel	100.00	5,233	-188	
BUWOG - Weidenbaumsweg Development GmbH	Berlin	94.90	-285	1,129	
BUWOG-Westendpark Development GmbH	Berlin	100.00	2,207	140	
BWG Frankfurt am Main Bundesbahn-Wohnungsgesellschaft mbH	Frankfurt am Main	94.90	92,512	4,308	
conwert & kelber Besitz 10/2007 GmbH	Berlin	94.80	5,157	248	
conwert & Kelber Besitz 11/2007 GmbH	Zossen	94.80	961	141	
conwert & kelber Bestand 10/2007 GmbH	Berlin	94.80	5,985	-216	
conwert Alfhild II Invest GmbH	Berlin	94.90	2,501	0	1)
conwert Alfhild Invest GmbH	Berlin	94.90	3,410	-122	
conwert alpha Invest GmbH	Zossen	94.90	3,693	177	
conwert Aries Invest GmbH	Zossen	100.00	31	-83	
conwert Berlin 2 Immobilien Invest GmbH	Zossen	94.90	3,144	-179	
conwert beta Invest GmbH	Berlin	94.90	5,276	-486	
conwert Capricornus Invest GmbH	Zossen	100.00	1,769	333	
conwert Carina Invest GmbH	Berlin	100.00	3,895	-62	
conwert Cassiopeia Invest GmbH	Berlin	94.90	3,672	689	
conwert Centaurus Invest GmbH	Zossen	94.90	13,181	263	
conwert Corvus Invest GmbH	Berlin	94.00	1,251	249	
conwert delta Invest GmbH	Berlin	100.00	7,759	8	
conwert Deutschland Beteiligungsholding GmbH	Berlin	100.00	40,714	410	
conwert Deutschland GmbH	Berlin	100.00	386	349	
conwert Deutschland Holding GmbH	Berlin	94.90	28,463	875	
conwert Dresden Vier Invest GmbH	Berlin	100.00	-1,662	3	
conwert Eisa Invest GmbH	Zossen	94.90	4,335	0	1)
conwert Epitaurus Invest GmbH	Zossen	94.00	-12,438	1,079	
conwert epsilon Invest GmbH	Berlin	94.90	6,301	603	
conwert Fenja Invest GmbH	Berlin	94.90	-145	22	
conwert gamma Invest GmbH	Berlin	94.90	1,759	300	
conwert Gemini Invest GmbH	Zossen	100.00	6,815	371	
conwert Grazer Damm Development GmbH	Zossen	94.90	21,247	775	
conwert Grundbesitz Leipzig Besitz GmbH	Berlin	94.90	79	201	
conwert Grundbesitz Leipzig Bestand GmbH	Zossen	94.90	43,178	2,271	
conwert Immobilien Development GmbH	Berlin	94.90	-2,580	482	
conwert lambda Invest GmbH	Berlin	100.00	19,074	138	
conwert Lepus Invest GmbH	Berlin	100.00	3,174	279	
conwert omega Invest GmbH	Zossen	94.90	33,234	2,709	
conwert Pegasus Invest GmbH	Berlin	94.90	6,480	152	
conwert Phoenix Invest GmbH	Berlin	100.00	2,190	81	

Company	Company domicile	Interest %	Equity € k	Net income/ loss for the year € k	
conwert Sachsen Invest GmbH	Zossen	100.00	21,323	-5,174	
conwert Tizian 1 Invest GmbH	Berlin	94.90	-8,236	-493	
conwert Tizian 2 Invest GmbH	Berlin	94.90	-1,365	-2,398	
conwert Wali Invest GmbH	Berlin	94.90	10,663	0	1)
conwert Wohn-Fonds GmbH	Zossen	100.00	360	11	
DA EB GmbH	Nuremberg	100.00	26	-3	
DAIG 1. Objektgesellschaft mbH	Düsseldorf	100.00	12,623	0	1)
DAIG 12. Objektgesellschaft mbH	Düsseldorf	94.00	1,584	0	1)
DAIG 13. Objektgesellschaft mbH	Düsseldorf	94.00	-796	261	
DAIG 2. Objektgesellschaft mbH	Düsseldorf	100.00	25	0	1)
DAIG 3. Objektgesellschaft mbH	Düsseldorf	100.00	25	0	1)
DAIG 4. Objektgesellschaft mbH	Düsseldorf	100.00	25	0	1)
DA Jupiter Wohnanlage GmbH	Düsseldorf	94.00	9,479	0	1)
Deutsche Annington Acquisition Holding GmbH	Düsseldorf	100.00	7,975,568	0	1) 2)
Deutsche Annington Beteiligungsverwaltungs GmbH	Düsseldorf	100.00	1,425,201	18,432	
Deutsche Annington DEWG GmbH & Co. KG	Bochum	100.00	7,279	4,365	
Deutsche Annington DEWG Verwaltungs GmbH	Düsseldorf	100.00	30	-2	
Deutsche Annington DMB Eins GmbH	Bochum	100.00	1,910	0	1)
Deutsche Annington Fundus Immobiliengesellschaft mbH	Cologne	100.00	3,179	0	1)
Deutsche Annington Fünfte Beteiligungsgesellschaft mbH	Düsseldorf	100.00	3,377	31	
Deutsche Annington Haus GmbH	Kiel	100.00	2,082	20	
Deutsche Annington Heimbau GmbH	Kiel	100.00	58,024	2,540	
Deutsche Annington Holdings Drei GmbH	Bochum	100.00	14,074	387	
Deutsche Annington Holdings Eins GmbH	Düsseldorf	100.00	86,690	-8,167	
Deutsche Annington Holdings Fünf GmbH	Düsseldorf	100.00	36,922	0	1)
Deutsche Annington Holdings Sechs GmbH	Bochum	100.00	2,233	0	1) 2)
Deutsche Annington Holdings Vier GmbH	Düsseldorf	100.00	36,849	0	1) 2)
Deutsche Annington Holdings Vier GmbH & Co. KG	Bochum	100.00	34,932	13,174	
Deutsche Annington Holdings Zwei GmbH	Düsseldorf	100.00	138,847	0	1)
Deutsche Annington Immobilien-Dienstleistungen GmbH	Düsseldorf	100.00	7,771	0	1)
Deutsche Annington Interim DAMIRA GmbH	Düsseldorf	100.00	954	115	
Deutsche Annington Kundenservice GmbH	Bochum	100.00	2,190	0	1) 2)
Deutsche Annington McKinley Eins GmbH & Co. KG	Bochum	100.00	53,501	12,587	
Deutsche Annington McKinley Eins Verwaltungs GmbH	Düsseldorf	100.00	27	-1	
Deutsche Annington McKinley-Holding GmbH & Co. KG	Bochum	100.00	53,501	12,582	
Deutsche Annington Rheinland Immobiliengesellschaft mbH	Cologne	100.00	13,762	0	1)
Deutsche Annington Rhein - Ruhr GmbH & Co. KG	Bochum	100.00	25,109	7,655	
Deutsche Annington Sechste Beteiligungs GmbH	Düsseldorf	100.00	26	-1	
Deutsche Annington WOGE Sechs Verwaltungs GmbH	Bochum	100.00	25	0	1)
Deutsche Annington WOGE Sieben Verwaltungs-GmbH	Düsseldorf	100.00	25	-1	
Deutsche Annington WOGE Vier Bestands GmbH & Co. KG	Bochum	100.00	12,847	3,878	
Deutsche Annington WOGE Vier GmbH & Co. KG	Bochum	100.00	-156,089	11,061	
Deutsche Annington Wohnungsgesellschaft I mbH	Essen	100.00	37,553	0	1)
Deutsche Annington Zweite Beteiligungsgesellschaft mbH	Düsseldorf	100.00	1,157	711	
Deutsche Eisenbahn-Wohnungs-Gesellschaft mbH	Leipzig	100.00	11,938	0	1)
Deutsche Multimedia Service GmbH	Düsseldorf	100.00	25	0	1) 2)
Deutsche TGS GmbH	Düsseldorf	51.00	3,536	0	1)

Company	Company domicile	Interest %	Equity € k	Net income/ loss for the year € k	
Deutsche Wohn-Inkasso GmbH	Bochum	100.00	43	0	1) 2)
Diak-Nd Pflege-Altenheime Besitz GmbH	Berlin	100.00	-8,132	-9	
Eisenbahn-Siedlungsgesellschaft Augsburg mbH (Siegau)	Augsburg	94.90	28,251	941	
Eisenbahn-Siedlungsgesellschaft Stuttgart, gemeinnützige Gesellschaft mit beschränkter Haftung	Stuttgart	94.87	11,164	0	1)
Eisenbahn-Wohnungsbau-Gesellschaft Karlsruhe GmbH	Karlsruhe	94.90	103,168	2,496	
Eisenbahn-Wohnungsbaugesellschaft Köln mbH	Cologne	94.90	149,364	6,056	
Eisenbahn-Wohnungsbaugesellschaft Nürnberg GmbH	Nuremberg	94.90	24,937	1,522	
Franconia Invest 1 GmbH	Düsseldorf	94.90	32,958	0	1)
Franconia Wohnen GmbH	Düsseldorf	94.90	11,822	0	1)
Frankfurter Siedlungsgesellschaft mbH (FSG)	Düsseldorf	100.00	431,691	0	1) 2)
FSG-Holding GmbH	Düsseldorf	94.80	4,590	127	
GAGFAH Acquisition 1 GmbH	Bochum	94.80	33,068	-7,876	
GAGFAH Acquisition 2 GmbH	Bochum	94.80	14,227	0	1)
GAGFAH Asset Management GmbH	Bochum	100.00	425	0	1)
GAGFAH Dritte Grundbesitz GmbH	Bochum	94.80	25,025	0	1)
GAGFAH Erste Grundbesitz GmbH	Bochum	94.80	-21,523	0	1)
GAGFAH GmbH	Bochum	94.90	2,691,295	-65,969	
GAGFAH Griffin GmbH	Bochum	94.90	28,898	0	1)
GAGFAH Griffin Holding GmbH	Bochum	100.00	47,052	0	1)
GAGFAH Hausservice GmbH	Essen	94.90	164	0	1)
GAGFAH Holding GmbH	Bochum	100.00	1,639,955	0	1) 2)
GAGFAH M Immobilien-Management GmbH	Bochum	94.90	70,322	0	1)
GAGFAH Zweite Grundbesitz GmbH	Bochum	94.80	25,025	0	1)
GAG Grundstücksverwaltungs-GmbH	Berlin	94.90	21,325	545	
GBH Acquisition GmbH	Bochum	94.80	94,190	339	
GBH Service GmbH	Heidenheim an der Brenz	100.00	3,815	85	
Grundwert Living GmbH	Berlin	100.00	17,568	-7,289	
Haus- und Boden-Fonds 38	Essen	54.15	-3,717	255	
Hellerhof GmbH	Frankfurt/Main	13.17	101,397	11,490	
H&L Immobilien GmbH	Kiel	100.00	4,403	1,391	
HPE Hausbau GmbH	Zossen	94.90	29,306	3,685	
HPE Sechste Hausbau Portfolio GmbH	Zossen	100.00	34,726	801	
HPE Siebte Hausbau Portfolio GmbH	Berlin	100.00	4,556	-330	
HvD I Grundbesitzgesellschaft mbH	Berlin	100.00	-8,254	-3,985	
IESA Immobilien Entwicklung Sachsen GmbH	Berlin	100.00	-5,738	-191	
Immobilienfonds Koblenz-Karthause, Wolfgang Hober Kommanditgesellschaft (Deutschbau-Fonds I) (in Liquidation)	Düsseldorf	92.71	-1,799	168	
Immo Service Dresden GmbH	Dresden	100.00	25	0	1)
JANANA Grundstücksgesellschaft mbH & Co. KG	Grünwald	94.90	1,802	-56	
KADURA Grundstücksgesellschaft mbH & Co. KG	Grünwald	94.91	25,963	-2	
Kieler Stadtentwicklungs- und Sanierungsgesellschaft mbH	Kiel	100.00	614	0	1)
Kieler Wohnungsbaugesellschaft mit beschränkter Haftung	Kiel	94.90	131,482	0	1)
KKS Projektentwicklung GmbH	Berlin	94.80	498	132	
KWG Grundbesitz CI GmbH & Co. KG	Berlin	99.90	345	28	
KWG Grundbesitz CIII GmbH & Co. KG	Berlin	95.41	4	14	
KWG Grundbesitz I Verwaltungs GmbH	Berlin	100.00	62	-1	

Company	Company domicile	Interest %	Equity € k	Net income/ loss for the year € k	
KWG Grundbesitz III GmbH	Berlin	100.00	2,435	0	1)
KWG Grundbesitz VI GmbH	Berlin	100.00	-2,983	-750	
KWG Grundbesitz VII GmbH	Berlin	100.00	-966	-779	
KWG Grundbesitz VIII GmbH	Berlin	100.00	3,938	1	
KWG Grundbesitz X GmbH	Berlin	100.00	-3,339	-457	
KWG Immobilien GmbH	Berlin	100.00	3,345	0	1)
KWG Kommunale Wohnen GmbH	Berlin	94.07	70,551	-481	
LEMONDAS Grundstücksgesellschaft mbH & Co. KG	Grünwald	94.90	1,359	23	
LEVON Grundstücksgesellschaft mbH & Co. KG	Grünwald	94.90	7,167	26	
Liegenschaften Weißig GmbH	Dresden	94.75	226	0	1)
MANGANA Grundstücksgesellschaft mbH & Co.KG	Grünwald	94.90	1,508	18	
MAKANA Grundstücksgesellschaft mbH & Co. KG	Grünwald	94.90	10,273	36	
MELCART Grundstücks-Verwaltungsgesellschaft mbH	Grünwald	94.80	1,022	124	
MIRA Grundstücksgesellschaft mbH	Düsseldorf	94.90	135,152	0	1)
MIRIS Grundstücksgesellschaft mbH & Co. KG	Grünwald	94.90	2,001	84	
Möser GbR	Essen	50.00	0	-19	
Neues Schweizer Viertel Betriebs+Service GmbH & Co. KG	Berlin	94.99	1,803	42	
NILEG Immobilien Holding GmbH	Hanover	100.00	565,051	-1,621	
NILEG Norddeutsche Immobiliengesellschaft mbH	Hanover	94.86	158,125	0	1)
Osnabrücker Wohnungsbaugesellschaft mit beschränkter Haftung	Osnabrück	94.09	17,617	0	1)
Planungsgemeinschaft "Das-Neue-Gartenfeld" GmbH & Co. KG	Berlin	38.44	2,228	-149	
Planungsgemeinschaft "Das-Neue-Gartenfeld" Verwaltungs GmbH	Berlin	100.00	20	-2	
PRIMA Wohnbauten Privatisierungs-Management GmbH	Berlin	100.00	23,845	0	1)
RSTE Objektgesellschaft Wohnanlagen für Chemnitz mbH	Wuppertal	94.73	-3,887	35	
RVG Rheinauhafen-Verwaltungsgesellschaft mbH	Cologne	74.00	96	26	
Schaeffler-Areal 1. Liegenschaften GmbH	Bad Heilbrunn	30.00	111	-5	
Schaeffler-Areal 2. Liegenschaften GmbH (in Liquidation)	Bad Heilbrunn	30.00	-583	1,363	
Schweizer Viertel Grundstücks GmbH	Berlin	94.74	1,900	0	1)
SEED 1 GmbH	Berlin	100.00	30	-100	
"Siege" Siedlungsgesellschaft für das Verkehrspersonal mbH Mainz	Mainz	94.90	64,621	-1,129	
Süddeutsche Wohnen Gebäude GmbH	Stuttgart	100.00	51	0	1)
Süddeutsche Wohnen GmbH	Stuttgart	94.33	155,528	0	1)
Süddeutsche Wohnen Grundstücksgesellschaft mbH	Stuttgart	100.00	263	0	1)
Süddeutsche Wohnen Management Holding GmbH	Stuttgart	100.00	515,385	0	1)
SÜDOST WOBA DRESDEN GMBH	Dresden	94.90	212,427	0	1)
SWG Siedlungs- und Wohnhausgesellschaft Sachsen GmbH	Berlin	100.00	10,929	0	1)
Tempelhofer Feld GmbH für Grundstücksverwertung	Kiel	94.90	10,284	2,165	
VBW Bauen und Wohnen GmbH	Bochum	19.87	110,375	7,377	
Viterra Holdings Eins GmbH	Düsseldorf	100.00	1,919,913	0	1) 2)
Viterra Holdings Zwei GmbH	Düsseldorf	100.00	1,877,487	-4,500	
Vonovia Dritte Berlin GmbH	Schönefeld	94.90	4,736	731	
Vonovia Eigentumsservice GmbH	Bochum	100.00	26	0	1) 2)
Vonovia Eigentumsverwaltungs GmbH	Bochum	100.00	25	0	1) 2)
Vonovia Elbe Berlin II GmbH	Nuremberg	94.90	174	-139	
Vonovia Elbe Berlin III GmbH	Nuremberg	94.90	3,078	218	
Vonovia Elbe Berlin IV GmbH	Nuremberg	94.90	-220	-37	
Vonovia Elbe Berlin VI GmbH	Nuremberg	94.90	14	207	

Company	Company domicile	Interest %	Equity € k	Net income/ loss for the year € k	
Vonovia Elbe Dresden I GmbH	Nuremberg	94.90	1,301	307	
Vonovia Elbe GmbH	Nuremberg	94.90	1,088	298	
Vonovia Elbe Ost GmbH	Nuremberg	94.90	849	180	
Vonovia Elbe Wannsee I GmbH	Nuremberg	94.90	1,877	431	
Vonovia Elbe Wohnen GmbH	Bochum	100.00	433	0	1)
Vonovia Energie Service GmbH	Bochum	100.00	25	0	1)
Vonovia Engineering GmbH	Bochum	100.00	25	0	1)
Vonovia Immobilien Treuhand GmbH	Bochum	100.00	63	0	1) 2)
Vonovia Immobilienmanagement GmbH	Bochum	100.00	50	0	1) 2)
Vonovia Immobilienmanagement one GmbH	Frankfurt am Main	94.90	47,267	0	1)
Vonovia Immobilienmanagement two GmbH	Frankfurt am Main	94.90	-5,111	0	1)
Vonovia Immobilienservice GmbH	Munich	100.00	75	0	1)
Vonovia Kundenservice GmbH	Bochum	100.00	8,022	0	1)
Vonovia Managementverwaltung GmbH	Nuremberg	100.00	67,062	0	1)
Vonovia Mess Service GmbH	Essen	100.00	147	0	1)
Vonovia Modernisierungs GmbH	Düsseldorf	100.00	1,625	0	1)
Vonovia Operations GmbH	Bochum	100.00	75	0	1) 2)
Vonovia Pro Bestand Nord GmbH	Bochum	100.00	4,004	-287	
Vonovia Pro Bestand Nord Invest GmbH	Bochum	94.90	828	-533	
Vonovia Pro Bestand Nord Properties GmbH	Bochum	94.90	262	-460	
Vonovia Pro Bestand Nord Real Estate GmbH	Bochum	94.90	2,531	-70	
Vonovia Technischer Service Nord GmbH	Essen	100.00	4,364	0	1)
Vonovia Technischer Service Süd GmbH	Dresden	100.00	161	0	1)
Vonovia Wohnumfeld Service GmbH	Düsseldorf	100.00	57	0	1)
WOBA DRESDEN GMBH	Dresden	100.00	370,756	0	1)
WOBA HOLDING GMBH	Dresden	100.00	675,332	-3,138	
WOHNBAU NORDWEST GmbH	Dresden	94.90	175,751	0	1)
Wohnungsbau Niedersachsen Gesellschaft mit beschränkter Haftung	Hanover	94.85	206,775	-9,676	
Wohnungsgesellschaft Norden mit beschränkter Haftung	Hanover	94.88	211,948	-7,213	
Wohnungsgesellschaft Ruhr-Niederrhein mbH Essen	Essen	94.90	18,195	1,046	
Wolmirstedt GbR	Essen	50.00	0	57	
Austria					
Adelheid-Popp-Gasse 10 GmbH & Co KG	Vienna	100.00	10	0	4) 5)
Anton Baumgartner-Straße 125, 1230 Wien, Besitz GmbH	Vienna	100.00	138	2	4)
Brunn am Gebirge Realbesitz GmbH	Vienna	100.00	24	-2	4)
BUWOG Altprojekte GmbH	Vienna	100.00	284	-17	4)
BUWOG Baranygasse 7 GmbH	Vienna	100.00	-288	-221	4)
BUWOG - Bauen und Wohnen Gesellschaft mbH	Vienna	100.00	631,770	131,280	4)
BUWOG Bernreiterplatz 13 GmbH	Vienna	100.00	-123	-125	4)
BUWOG Beteiligungs GmbH	Vienna	100.00	1,863,167	-9	4)
BUWOG Breitenfurterstraße 239 GmbH	Vienna	100.00	-1,071	41	4)
BUWOG Breitenfurterstraße Eins, GmbH & Co KG	Vienna	100.00	6,341	-10	4)
BUWOG Breitenfurterstraße Zwei, GmbH & Co KG	Vienna	100.00	5,238	-155	4)
BUWOG Bruno-Marek-Allee 22 GmbH & Co KG	Vienna	100.00	-86	0	4) 5)
BUWOG cw Dienstleistung Holding GmbH	Vienna	100.00	5,293	-11,682	4)
BUWOG cw Handelsges.m.b.H.	Vienna	100.00	3,011	-3	4)

Company	Company domicile	Interest %	Equity € k	Net income/ loss for the year € k	
BUWOG cw Invest GmbH	Vienna	100.00	1,381	-113	[4]
BUWOG cw Neubaubesitz GmbH	Vienna	100.00	4,549	-14	[4]
"BUWOG cw SECURITISATION" Holding GmbH	Vienna	100.00	1,236	-3	
BUWOG Demophon Immobilienvermietungs GmbH	Vienna	100.00	49,455	5,830	[4]
BUWOG Diesterweggasse 27 GmbH	Vienna	100.00	24	-5	[4]
BUWOG Diesterweggasse 27 GmbH & Co KG	Vienna	100.00	30	0	[4] [5]
BUWOG Döblerhofstraße GmbH	Vienna	100.00	-693	-374	[4]
BUWOG Gewerbeimmobilien Eins GmbH	Vienna	100.00	-25	-1	[4]
BUWOG Gewerbeimmobilien Zwei GmbH	Vienna	100.00	-55	-1	[4]
BUWOG Group GmbH	Vienna	100.00	1,393,017	-8,174	[4]
BUWOG Handelskai 346 GmbH	Vienna	100.00	-54	-6	[4]
BUWOG Himberger Straße GmbH	Vienna	100.00	-903	-472	[4]
BUWOG Holding GmbH	Vienna	100.00	544,142	-24,787	[4]
BUWOG Linke Wienzeile 280 GmbH	Vienna	100.00	-565	-547	[4]
BUWOG - Penzinger Straße 76 GmbH	Vienna	100.00	-15,568	-764	[4]
BUWOG Pfeiffergasse 3-5 GmbH	Vienna	100.00	3,188	4,579	[4]
BUWOG Projektentwicklung GmbH	Vienna	100.00	647	-163	[4]
BUWOG - Projektholding GmbH	Vienna	100.00	43,589	9,510	[4]
BUWOG - PSD Holding GmbH	Vienna	100.00	14,852	665	[4]
BUWOG Rathausstraße GmbH	Vienna	100.00	3,189	-779	[4]
BUWOG Schweidlgasse 30 GmbH & Co KG	Vienna	100.00	-358	0	[4] [5]
BUWOG Seeparkquartier GmbH	Vienna	100.00	13,389	8,698	[4]
BUWOG Seeparkquartier Holding GmbH	Vienna	100.00	6,255	-6	[4]
BUWOG Süd GmbH	Villach	99.98	124,488	16,980	[4]
CENTUM Immobilien GmbH	Vienna	100.00	27,610	248	[4]
Con Tessa Immobilienverwertung GmbH	Vienna	100.00	1,198	-55	[4]
Con value one Immobilien GmbH	Vienna	100.00	10,844	806	[4]
CWG Beteiligungs GmbH	Vienna	100.00	109,483	-5	[4]
DATAREAL Beteiligungsgesellschaft m.b.H. & Co. Gablenzgasse 60 KG	Vienna	100.00	-68	-68	[4]
DATAREAL Beteiligungsgesellschaft m.b.H.& Co. Heiligenstädter Straße 9 OG	Vienna	100.00	-14	-40	[4]
EARNY Holding GmbH	Vienna	100.00	8	-2	[4]
EB Immobilien Invest GmbH	Vienna	100.00	-3,086	552	[4]
EBI Beteiligungen GmbH	Vienna	100.00	542	1	[4]
EBI Beteiligungen GmbH & Co,1190 Wien, Rampengasse 3-5, KG	Vienna	100.00	-3,427	-2,597	[4]
ECO Anteilsverwaltungs GmbH	Vienna	100.00	13,328	134	[4]
ECO Business-Immobilien GmbH	Vienna	100.00	217,004	335	[4]
ECO Business-Immobilien-Beteiligungen GmbH	Vienna	100.00	1,133	143	[4]
ECO CEE & Real Estate Besitz GmbH	Vienna	100.00	-5,170	-69	[4]
ECO Eastern Europe Real Estate GmbH	Vienna	100.00	-5,057	-2	[4]
ECO Immobilien Verwertungs GmbH	Vienna	100.00	626	93	[4]
"Epssilon" Altbau GmbH	Vienna	100.00	-178	-144	[4]
"Epssilon" Meidlinger Hauptstr.27 Liegenschaftsverwaltungs GmbH	Vienna	100.00	-339	-190	[4]
"G1" Immobilienbesitz GmbH	Vienna	100.00	4,275	150	[4]
GENA SECHS Immobilienholding GmbH	Vienna	100.00	957,424	-14	[4]
GENA ZWEI Immobilienholding GmbH	Vienna	100.00	403,175	-45	[4]
Gewerbepark Urstein Besitz GmbH	Vienna	100.00	-1,854	236	[4]
Gewerbepark Urstein Besitz GmbH & Co KG	Vienna	100.00	72	48	[4]

Company	Company domicile	Interest %	Equity € k	Net income/ loss for the year € k	
GGJ Beteiligungs GmbH	Vienna	100.00	15,521	53	4)
GGJ Beteiligungs GmbH & Co Projekt Drei OG	Vienna	100.00	-657	-45	4)
GGJ Beteiligungs GmbH & Co Projekt Eins OG	Vienna	100.00	-122	-83	4)
GGJ Beteiligungs GmbH & Co Projekt Fünf OG	Vienna	100.00	-27	-2	4)
GGJ Beteiligungs GmbH & Co Projekt Zehn OG	Vienna	100.00	53	20	4)
GGJ Beteiligungs GmbH & Co Projekt Zwei OG	Vienna	100.00	579	-7	4)
GJ-Beteiligungs GmbH	Vienna	100.00	88,356	304	4)
GJ-Beteiligungs GmbH & Co Projekt Fünf OG	Vienna	100.00	-639	-358	4)
"GKHK" Handelsgesellschaft m.b.H.	Vienna	100.00	942	-10	4)
G-Unternehmensbeteiligung GmbH	Vienna	100.00	5,966	10,028	4)
"Heller Fabrik" Liegenschaftsverwertungs GmbH	Vienna	100.00	12,566	6,044	4)
Hertha-Firnberg-Straße 10, 1100 Wien, Immobilienbesitz GmbH	Vienna	100.00	115	93	4)
Kapital & Wert Immobilienbesitz GmbH	Vienna	100.00	4,700	272	4)
Lithinos Immobilien Invest GmbH	Vienna	100.00	-64	-12	4)
Mariahilferstraße 156 Invest GmbH	Vienna	100.00	291	147	4)
MARINA CITY Entwicklungs GmbH	Vienna	50.00	1,740	-201	4)
MARINADECK Betriebs GmbH	Vienna	100.00	-121	-123	4)
MARINA TOWER Holding GmbH	Vienna	51.00	15,970	-1,404	4)
"MEZ" - Vermögensverwaltungs Gesellschaft m.b.H. (in Liquidation)	Vienna	100.00	-886	9	4)
PI Immobilien GmbH	Vienna	100.00	249,636	2,425	4)
RESAG Property Management GmbH (in Liquidation)	Vienna	100.00	115	3	4)
REVIVA Immobilien GmbH	Vienna	100.00	9,741	733	4)
RG Immobilien GmbH (verschmolzen mit IEG)	Vienna	100.00	1,255	120	4)
Roßauer Lände 47–49 Liegenschaftsverwaltungs GmbH	Vienna	100.00	-116	629	4)
Stubenbastei 10 und 12 Immobilien GmbH	Vienna	100.00	12	-87	4)
Themelios Immobilien Invest GmbH	Vienna	100.00	-77	-37	4)
TP Besitz GmbH	Vienna	100.00	-52	-39	4)
TPI Immobilien Holding GmbH	Vienna	100.00	-8,616	-21	4)
TPI Tourism Properties Invest GmbH	Vienna	96.00	29,268	285	4)
"TPW" Immobilien GmbH	Vienna	100.00	820	-3	4)
T-Unternehmensbeteiligung GmbH	Vienna	100.00	-352	6	4)
Verein "Social City" - Verein zur Förderung der sozialen Kontakte und der sozialen Infrastruktur in Stadterneuerungsgebieten	Vienna	100.00	0	0	4)
WZH WEG Besitz GmbH	Vienna	100.00	2,591	-171	4)
Sweden					
AB Nerke Holding 211	Malmö	100.00	2,605	897	1) 3)
AB Nerke Holding 411	Malmö	100.00	1,852	952	1) 3)
Bosystem TM AB	Stockholm	100.00	5	0	3)
Bredbykvarn Fastighets AB	Stockholm	100.00	1,305	526	3)
Bredbykvarn Garage AB	Stockholm	100.00	17	-1	3)
Bromsten Fastighetsförvaltning AB	Stockholm	100.00	24,854	5,839	3)
Bronseri Aktiebolag	Eskilstuna	100.00	50	10	3)
D. Carnegie & Co AB	Stockholm	100.00	5	0	3)
Fastighets AB Bonden	Stockholm	100.00	1,064	505	3)
Fastighets AB Brunteglet	Stockholm	100.00	1,446	376	3)
Fastighets AB K-backen 1	Malmö	100.00	1,317	100	1) 3)
Fastighets AB Läraren i Strängnäs	Stockholm	100.00	385	21	3)

Company	Company domicile	Interest %	Equity € k	Net income/ loss for the year € k	
Fastighets AB Linrepan	Stockholm	100.00	10,971	2,388	3)
Fastighets AB Träbalkongen	Stockholm	100.00	727	-33	3)
Fastighets AB Turemalm	Stockholm	100.00	13,513	-150	3)
Fastighetsbolaget Anelk AB	Stockholm	100.00	10	-162	3)
Fastighetsbolaget Erganten AB	Eskilstuna	100.00	11	0	3)
Fastighetsbolaget Homiensis II AB	Stockholm	100.00	5	0	3)
Fastighetsbolaget Klena Kommanditbolag	Stockholm	100.00	-4,012	-75	3)
Fastighetsbolaget Kullerstensvägen AB	Stockholm	100.00	14,183	869	3)
Fastighetsbolaget Kullerstensvägen Kommanditbolag	Stockholm	100.00	25,761	2,239	3)
Fastighetsbolaget Lärdom AB	Eskilstuna	100.00	11	0	3)
Fastighetsbolaget Nyfors City AB	Stockholm	100.00	1,550	365	3)
Fastighetsbolaget Sågenvägen AB	Stockholm	100.00	6,118	110	3)
Fastighetsbolaget Vaksam 8 AB	Eskilstuna	100.00	11	0	3)
Fastighetsbolaget VP AB	Malmö	100.00	674	0	1) 3)
Fastighetsförvaltningsaktiebolaget Friheten 11	Eskilstuna	100.00	87	2	3)
Fastighetsuthyrning Tranås AB	Stockholm	100.00	10	-4	3)
Flemingsberg Fastighetsförvaltning AB	Stockholm	100.00	14,017	5,599	3)
Graflunds Byggnads Aktiebolag	Malmö	100.00	34,574	2,193	3)
Graflunds Fastighets Aktiebolag	Eskilstuna	100.00	47,665	896	3)
Graflunds Holding AB	Stockholm	100.00	10	0	3)
Graflunds Kommersiella Fastigheter AB	Eskilstuna	100.00	50	1	3)
Hembla AB	Stockholm	100.00	407,178	-4,485	3)
Hembla AlbaStone II AB	Stockholm	100.00	5	0	3) 8)
Hembla AlbaStone III AB	Stockholm	100.00	5	0	3) 8)
Hembla AlbaStone IV AB	Stockholm	100.00	5	0	3) 8)
Hembla AlbaStone V AB	Stockholm	100.00	5	0	3) 8)
Hembla Bergen II AB	Stockholm	100.00	5	-3	3) 8)
Hembla Holmiensis Inanis I AB	Stockholm	100.00	5	0	3) 8)
Hembla Holmiensis Inanis II AB	Stockholm	100.00	5	0	3) 8)
Hembla Holmiensis Inanis III AB	Stockholm	100.00	5	0	3) 8)
Hembla Holmiensis Inanis IV AB	Stockholm	100.00	5	0	3) 8)
Hembla Holmiensis Inanis V AB	Stockholm	100.00	5	0	3) 8)
Hembla Inanis Alba I AB	Stockholm	100.00	5	0	3) 8)
Hembla Inanis Alba II AB	Stockholm	100.00	5	0	3) 8)
Hembla Inanis Holdco AB	Stockholm	100.00	6	0	3) 8)
Hembla Norrköping AB	Stockholm	100.00	34,866	545	3)
Hembla NYKR AT AB	Stockholm	100.00	10	0	3) 6)
Hembla NYKR FH AB	Stockholm	100.00	35,898	33,117	3) 6)
Hembla NYKR Holdco AB	Stockholm	100.00	37,193	34,433	3) 6)
Hembla Servicecenter AB	Stockholm	100.00	5	-15	3) 7)
Holmiensis Affärsutveckling AB	Stockholm	100.00	5	-85	3)
Holmiensis Bostäder AB	Stockholm	100.00	115,347	4,174	3)
Holmiensis Bostäder II AB	Stockholm	100.00	5	0	3)
Holmiensis Duvholmen 1 AB	Stockholm	100.00	2,572	811	3)
Holmiensis Huddinge Fyra AB	Stockholm	100.00	6	1	3)
HomeStar InvestCo AB	Stockholm	100.00	212,528	-11	3)
Hyresbostäder Bollvägen Zenithegie AB	Stockholm	100.00	5	-445	3)

Company	Company domicile	Interest %	Equity € k	Net income/ loss for the year € k	
Hyresbostäder Borg AB	Stockholm	100.00	5	-31	3)
Hyresbostäder Fornhöjden AB	Stockholm	100.00	5	-224	3)
Hyresbostäder Grevgatan 20 Zenithegie AB	Stockholm	100.00	5	-2,322	3)
Hyresbostäder i Alby AB	Stockholm	100.00	931	-503	3)
Hyresbostäder i Arboga AB	Stockholm	100.00	1,238	203	3)
Hyresbostäder i Katrineholm AB	Stockholm	100.00	4,234	814	3)
Hyresbostäder i Köping AB	Stockholm	100.00	1,404	738	3)
Hyresbostäder i Söderort AB	Stockholm	100.00	24,099	22,899	3)
Hyresbostäder i Sverige Fyra AB	Stockholm	100.00	60,034	1,051	3)
Hyresbostäder i Sverige II AB	Stockholm	100.00	120,799	24,841	3)
Hyresbostäder i Sverige III AB	Stockholm	100.00	46,579	42,935	3)
Hyresbostäder i Sverige V AB	Stockholm	100.00	18,257	387	3)
Hyresbostäder i Tranås AB	Stockholm	100.00	1,343	117	3)
Hyresbostäder i Tranås Två Handelsbolag	Malmö	100.00	3,712	213	3)
Hyresbostäder Industrivägen 19 Zenithegie AB	Stockholm	100.00	5	-61	3)
Hyresbostäder Järna AB	Stockholm	100.00	5	-679	3)
Hyresbostäder Järnvägsgatan 28 AB	Stockholm	100.00	57	27	3)
Hyresbostäder Linnean AB	Stockholm	100.00	5	-329	3)
Hyresbostäder Myran AB	Stockholm	100.00	9	-25	3)
Hyresbostäder Nynäsvägen 24 och 26 AB	Stockholm	100.00	5	-81	3)
Hyresbostäder Nynäsvägen 27 AB	Stockholm	100.00	5	-31	3)
Hyresbostäder Ösmo AB	Stockholm	100.00	5	-329	3)
Hyresbostäder Polhemsgatan 3 Zenithegie AB	Stockholm	100.00	5	-100	3)
Hyresbostäder Puddelprocessen Holdco AB	Stockholm	100.00	1,229	502	3)
Hyresbostäder Renen AB	Stockholm	100.00	5	-99	3)
Hyresbostäder Sten AB	Stockholm	100.00	44,870	41,305	3)
Hyresbostäder Svart AB	Stockholm	100.00	46,821	43,168	3)
Hyresbostäder Turbinen och Zenith VI AB	Stockholm	100.00	71,487	-1,149	3)
Hyresbostäder VII Albyberget AB	Stockholm	100.00	20	-1,111	3)
Hyresbostäder Vitsippan AB	Stockholm	100.00	5	-175	3)
Hyresbostäder Zenithegie I AB	Stockholm	100.00	1,832	-2,503	3)
Hyresbostäder Zenithegie II AB	Stockholm	100.00	438	-2,305	3)
Hyresbostäder Zenithegie III AB	Stockholm	100.00	291	-2,190	3)
Hyresbostäder Zenithegie IV AB	Stockholm	100.00	1,580	-1	3)
Hyresbostäder Zenithegie V AB	Stockholm	100.00	333	0	3)
Hyresbostäder Zenithegie VI AB	Stockholm	100.00	416	0	3)
Hyresfastigheter i Strängnäs AB	Stockholm	100.00	5	-1	3)
Jordbroförvaltnings AB	Stockholm	100.00	38,847	17,935	3)
Kattgun Aktiebolag	Eskilstuna	100.00	37	12	3)
Kista Fastighetsförvaltning AB	Stockholm	100.00	40,386	22,089	3)
Kista Kommanditdelägare AB	Stockholm	100.00	5	0	3)
Kommanditbolaget Bergen 1	Stockholm	100.00	18,152	-1,015	3)
Kommanditbolaget Nidarosgatan	Stockholm	100.00	4,971	-297	3)
Kommanditbolaget Nordkapsgatan 4–19	Stockholm	100.00	5,508	-850	3)
Kommanditbolaget Telemark	Stockholm	100.00	16,514	-978	3)
Kommanditbolaget Tönsbergsgatan 1–15	Stockholm	100.00	6,633	-643	3)
Kungskatten Holding AB	Stockholm	100.00	27,887	20,445	3)

Company	Company domicile	Interest %	Equity € k	Net income/ loss for the year € k	
Lövgardet Business KB	Malmö	100.00	9,388	1,735	[1) 3)]
Lövgardet Residential HB	Malmö	100.00	14,178	2,471	[1) 3)]
Märtuna I AB	Stockholm	100.00	10	0	[3)]
Malmö Mozart Fastighets AB	Malmö	42.00	5	-2	[3)]
Markarydsbostäder Holding AB	Stockholm	100.00	47,730	-279	[3)]
Markarydsbostäder i Södertälje Aktiebolag	Södertälje	100.00	18,411	3,003	[3)]
Markarydsbostäder i Stockholm Aktiebolag	Upplands-Bro	100.00	21,436	2,883	[3)]
Östgötafastigheter Gavotten 1 AB	Stockholm	100.00	264	95	[3)]
Östgötafastigheter Hambon 1 AB	Stockholm	100.00	1,078	307	[3)]
Östgötafastigheter Hambon 2 AB	Stockholm	100.00	524	59	[3)]
Östgötafastigheter i Norrköping AB	Norrköping	100.00	5	-19	[3)]
Östgötafastigheter Kadriljen 1 AB	Stockholm	100.00	231	-67	[3)]
Östgötafastigheter Mazurkan 1 AB	Stockholm	100.00	126	-36	[3)]
Östgötafastigheter Menuetten 1 AB	Stockholm	100.00	174	-14	[3)]
Östgötafastigheter Tangon 1 AB	Stockholm	100.00	426	78	[3)]
Östgötaporten AB	Stockholm	100.00	5	0	[3)]
Östgötatornen AB	Stockholm	100.00	4,930	3,473	[3)]
Provinsfastigheter I Magasinet 4 AB	Stockholm	100.00	6,749	5,683	[3)]
Provinsfastigheter I Stallet 3 AB	Stockholm	100.00	999	172	[3)]
Provinsfastigheter I Vedboden 1 AB	Stockholm	100.00	1,338	187	[3)]
Provinsfastigheter i Visättrahem AB	Stockholm	100.00	11,549	5,706	[3)]
Rosengård Fastighets AB	Malmö	25.00	63,132	16,617	[3)]
Spånga Förvaltning AB	Stockholm	100.00	21,226	9,436	[3)]
Trojeborgsfastigheter i Sverige AB	Stockholm	100.00	1,456	-149,092	[3)]
Valsätra Galaxen AB	Stockholm	100.00	562	108	[3)]
Veningen B AB	Stockholm	100.00	58,360	21,187	[3)]
Victoria Park AB	Malmö	100.00	56,070	3,298	[3)]
Victoria Park Almen 17 AB	Malmö	100.00	8,982	295	[3)]
Victoria Park Beethoven I AB	Malmö	100.00	16	-179	[1) 3)]
Victoria Park Beethoven II AB	Malmö	100.00	4	0	[1) 3)]
Victoria Park Beethoven III AB	Malmö	100.00	4	0	[1) 3)]
Victoria Park Bergsjön AB	Malmö	100.00	1,031	130	[1) 3)]
Victoria Park Boliger AB	Malmö	100.00	50	0	[1) 3)]
Victoria Park Borås AB	Malmö	100.00	4,954	348	[1) 3)]
Victoria Park Bostäder Tensta AB	Malmö	100.00	24,152	232	[1) 3)]
Victoria Park Bygg och Projekt AB	Malmö	100.00	26	0	[1) 3)]
Victoria Park Cedern 18 AB	Malmö	100.00	4,363	271	[3)]
Victoria Park Eskil Ctr AB	Malmö	100.00	3,309	77	[1) 3)]
Victoria Park Fastigheter AB	Malmö	100.00	15,605	-26	[1) 3)]
Victoria Park Fastigheter Södra AB	Malmö	100.00	6,315	-256	[1) 3)]
Victoria Park Fröslunda AB	Malmö	100.00	7,846	-21	[1) 3)]
Victoria Park Gulsparven AB	Malmö	100.00	44,944	-273	[3)]
Victoria Park Haren 10 AB	Malmö	100.00	270	118	[3)]
Victoria Park Herrgarden AB	Malmö	100.00	7,517	3,173	[1) 3)]
Victoria Park Holding AB	Malmö	100.00	14,486	-17	[1) 3)]
Victoria Park Holding Karlskrona AB	Malmö	100.00	4	0	[1) 3)]
Victoria Park Holding Växjö Magistern AB	Malmö	100.00	7	-3	[1) 3)]

Company	Company domicile	Interest %	Equity € k	Net income/ loss for the year € k	
Victoria Park Holding Växjö S AB	Malmö	100.00	7	-3	[1] [3]
Victoria Park Karlskrona, Malmö AB	Malmö	100.00	6,784	-549	[1] [3]
Victoria Park Living AB	Malmö	100.00	2,899	0	[1] [3]
Victoria Park Lövgardet AB	Malmö	100.00	5,213	428	[1] [3]
Victoria Park Malmen 14 AB	Malmö	100.00	14,493	591	[3]
Victoria Park Malmö Centrum AB	Malmö	100.00	4	1	[3]
Victoria Park Markaryd AB	Malmö	100.00	7,679	841	[1] [3]
Victoria Park Mozart AB	Malmö	100.00	4	0	[1] [3]
Victoria Park Mozart Fastighets AB	Malmö	100.00	3,846	888	[3]
Victoria Park Myran 30 AB	Malmö	100.00	1,186	633	[3]
Victoria Park Mytorp AB	Malmö	100.00	5,773	971	[1] [3]
Victoria Park Nedogap AB	Malmö	100.00	15,261	-9	[1] [3]
Victoria Park Nygard AB	Malmö	100.00	9	-436	[1] [3]
Victoria Park Nyköping AB	Malmö	100.00	4,956	851	[1] [3]
Victoria Park Örebro AB	Malmö	100.00	7	-19	[1] [3]
Victoria Park Ostbrickan AB	Malmö	100.00	130,991	-1,120	[3]
Victoria Park Råbergstorp AB	Malmö	100.00	7,205	470	[1] [3]
Victoria Park Rosengard AB	Malmö	100.00	16,545	29	[1] [3]
Victoria Park Skiftinge AB	Malmö	100.00	488	-361	[1] [3]
Victoria Park Söderby 23 AB	Malmö	100.00	27,987	1,129	[3]
Victoria Park Söderby 394 AB	Malmö	100.00	20,316	1,583	[3]
Victoria Park Söderby 43 AB	Malmö	100.00	440	416	[3]
Victoria Park Söderby 51 AB	Malmö	100.00	1,327	501	[3]
Victoria Park Söderby 68 AB	Malmö	100.00	7	-3	[3]
Victoria Park Stenby AB	Malmö	100.00	5,431	174	[1] [3]
Victoria Park Tallriset AB	Malmö	100.00	4,841	1,117	[3]
Victoria Park V21 AB	Malmö	100.00	8,460	-91	[1] [3]
Victoria Park Valfisken Större 28 AB	Malmö	100.00	344	114	[3]
Victoria Park Våmmedal AB	Malmö	100.00	372	351	[3]
Victoria Park Växjö Magistern AB	Malmö	100.00	778	120	[1] [3]
Victoria Park Växjö S AB	Malmö	100.00	2,879	610	[1] [3]
Victoria Park Vivaldi I AB	Malmö	100.00	14	-420	[3]
Victoria Park Vivaldi II AB	Malmö	100.00	4	0	[1] [3]
Victoria Park Vivaldi III AB	Malmö	100.00	4	0	[1] [3]
Victoria Park Vivaldi IV AB	Malmö	100.00	6	-18	[3]
Victoria Park Vivaldi V AB	Malmö	100.00	9	-10	[3]
Victoria Park Vivaldi VI AB	Malmö	100.00	6	-333	[3]
Other countries					
BOKRÉTA Management Kft.	Budapest/HU	100.00	79	17	[3]
BUWOG High Deck Residential B.V.	Amsterdam/NL	94.90	26,085	1,270	[3]
Buwog Lux I S.à r.l.	Esch-sur-Alzette/LU	94.00	8,001	-873	[3]
BUWOG Wohnwerk S.A.	Luxembourg/LU	94.84	-2,156	-651	[3]
DA DMB Netherlands B.V.	Eindhoven/NL	100.00	97,007	19,418	[3]
DAIG 10. Objektgesellschaft B.V.	Amsterdam/NL	94.44	14,553	6,160	[3]
DAIG 11. Objektgesellschaft B.V.	Amsterdam/NL	94.44	33,541	4,231	[3]

Company	Company domicile	Interest %	Equity € k	Net income/ loss for the year € k	
DAIG 14. Objektgesellschaft B.V.	Amsterdam/NL	94.44	39,520	7,531	3)
DAIG 15. Objektgesellschaft B.V.	Amsterdam/NL	94.44	13,058	1,170	3)
DAIG 16. Objektgesellschaft B.V.	Amsterdam/NL	94.44	3,424	-163	3)
DAIG 17. Objektgesellschaft B.V.	Amsterdam/NL	94.44	7,573	965	3)
DAIG 18. Objektgesellschaft B.V.	Amsterdam/NL	94.44	11,974	2,469	3)
DAIG 19. Objektgesellschaft B.V.	Amsterdam/NL	94.44	17,212	6,593	3)
DAIG 20. Objektgesellschaft B.V.	Amsterdam/NL	94.44	28,057	4,887	3)
DAIG 21. Objektgesellschaft B.V.	Amsterdam/NL	94.44	23,358	5,478	3)
DAIG 22. Objektgesellschaft B.V.	Amsterdam/NL	94.44	15,227	4,340	3)
DAIG 23. Objektgesellschaft B.V.	Amsterdam/NL	94.44	11,950	3,048	3)
DAIG 24. Objektgesellschaft B.V.	Amsterdam/NL	94.44	13,153	3,585	3)
DAIG 25. Objektgesellschaft B.V.	Amsterdam/NL	94.44	-6,735	1,013	3)
DAIG 9. Objektgesellschaft B.V.	Amsterdam/NL	94.44	91,887	13,257	3)
DA Jupiter NL JV Holdings 1 B.V.	Amsterdam/NL	100.00	68,587	16,955	3)
IMMO-ROHR PLUSZ Kft.	Budapest/HU	100.00	-403	-97	3)
My-Box Debrecen Inglatian-Fejlesztö Kft Cg.	Budapest/HU	100.00	2,078	544	3)
Vonovia Finance B.V.	Amsterdam/NL	100.00	81,173	8,862	3)
VONOVIA FRANCE SAS	Paris/FR	100.00	5,346	-1,717	3)

1) Earnings after profit transfer.
2) Profit-and-loss transfer agreement with Vonovia SE.
3) Equity and earnings for the fiscal year are in accordance with local commercial law.
4) Equity and earnings for the fiscal year correspond to UGB values (Austrian Commercial Code).
5) Acquisition/establishment in 2020, equity as per opening balance sheet.
6) Short fiscal year from Feb. 8 to Dec. 31, 2019.
7) Short fiscal year from Apr. 3 to Dec. 31, 2019.
8) Short fiscal year from Apr. 9 to Dec. 31, 2019.

Declaration in Accordance with Section 160 (1) No. 8 of the German Stock Corporation Act (AktG)

Appendix 3 to the Notes

In accordance with Article 61 of the SE regulations and in connection with Section 160 (1) No. 8 of the German Stock Corporation Act (AktG), information shall be given relating to the existence of a shareholding that the company has been notified of pursuant to Section 33 (1) or (2) of the German Securities Trading Act (WpHG) (Section 21 (1) or (1a) in the old version). The voting rights announcements received by Vonovia are set out below.

Unless otherwise indicated, the following information is based on the most relevant recent notifications for the 2020 fiscal year made by those obliged to give notification and by Vonovia SE pursuant to Section 40 (1) WpHG (Sections 33, 38, 39, 26 in the old version).

BlackRock, Inc.

BlackRock, Inc.,Wilmington, Delaware, United States of America, informed us, as a voluntary Group notification involving a threshold being reached at the level of the subsidiaries, that its share of voting rights in Vonovia SE, Universitätsstraße 133, 44803 Bochum, Germany, stood at 7.65% on July 3, 2020 (41,483,210 voting rights of a total number of voting rights in Vonovia SE of 542,273,611). (As of the time of the previous notification, the share of voting rights had stood at 6.88%). The published original wording of this notification can be found in Appendix 3.1.

No company whose voting rights were attributable to BlackRock, Inc. directly held 3% or more of the voting rights in Vonovia SE.

7.65% of voting rights (41,483,210 voting rights) arising from shares with the ISIN DE000A1ML7J1 were attributed to BlackRock, Inc. in accordance with Section 34 WpHG. BlackRock, Inc. itself held no voting rights pursuant to Section 33 WpHG arising from shares with the ISIN DE000A1ML7J1.

0.19% of voting rights (1,020,698 voting rights) were attributed to BlackRock, Inc. due to lent securities, i.e., instruments within the meaning of Section 38 (1) No. 1 WpHG.

0.01% of voting rights (37,600 voting rights) were attributed to BlackRock, Inc. due to contracts for difference with cash settlement, i.e., instruments within the meaning of Section 38 (1) No. 2 WpHG.

The complete chain of subsidiaries, beginning with the most senior controlling person or the most senior controlling company, is as follows:

1. Voting rights and/or instruments corresponding to voting rights in Vonovia SE were attributed to BlackRock, Inc. via the following subsidiaries: Trident Merger, LLC and BlackRock Investment Management, LLC.

None of these companies (including BlackRock, Inc.) directly held 3% or more of the voting rights in Vonovia SE. None of these companies (including BlackRock, Inc.) directly held instruments totaling 5% or more of the voting rights in Vonovia SE. None of the companies directly held a sum total of voting rights and instruments corresponding to voting rights that was 5% or more.

2. Voting rights and/or instruments corresponding to voting rights in Vonovia SE were attributed to BlackRock, Inc. via the following subsidiaries: BlackRock Holdco 2, Inc. and BlackRock Financial Management, Inc.

None of these companies (including BlackRock, Inc.) directly held 3% or more of the voting rights in Vonovia SE. None of these companies (including BlackRock, Inc.) directly held instruments totaling 5% or more of the voting rights in Vonovia SE. None of the companies directly held a sum total of voting rights and instruments corresponding to voting rights that was 5% or more.

3. Voting rights and/or instruments corresponding to voting rights in Vonovia SE were attributed to BlackRock, Inc. via the following subsidiaries: BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock Capital Holdings, Inc. and BlackRock Advisors, LLC.

None of these companies (including BlackRock, Inc.) directly held 3% or more of the voting rights in Vonovia SE. None of these companies (including BlackRock, Inc.) directly held instruments totaling 5% or more of the voting rights in Vonovia SE. None of the companies directly held a sum total of voting rights and instruments corresponding to voting rights that was 5% or more.

4. Voting rights and/or instruments corresponding to voting rights in Vonovia SE were attributed to BlackRock, Inc. via the following subsidiaries: BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock International Holdings, Inc., BR Jersey International Holdings L.P., BlackRock (Singapore) Holdco Pte. Ltd. and BlackRock (Singapore) Limited.

None of these companies (including BlackRock, Inc.) directly held 3% or more of the voting rights in Vonovia SE. None of these companies (including BlackRock, Inc.) directly held instruments totaling 5% or more of the voting rights in Vonovia SE. None of the companies directly held a sum total of voting rights and instruments corresponding to voting rights that was 5% or more.

5. Voting rights and/or instruments corresponding to voting rights in Vonovia SE were attributed to BlackRock, Inc. via the following subsidiaries: BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock Holdco 4, LLC, BlackRock Holdco 6, LLC, BlackRock Delaware Holdings Inc. and BlackRock Fund Advisors.

None of these companies (including BlackRock, Inc.) directly held 3% or more of the voting rights in Vonovia SE. None of these companies (including BlackRock, Inc.) directly held instruments totaling 5% or more of the voting rights in Vonovia SE. None of the companies directly held a sum total of voting rights and instruments corresponding to voting rights that was 5% or more.

6. Voting rights and/or instruments corresponding to voting rights in Vonovia SE were attributed to BlackRock, Inc. via the following subsidiaries: BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock Holdco 4, LLC, BlackRock Holdco 6, LLC, BlackRock Delaware Holdings Inc. and BlackRock Institutional Trust Company, National Association.

None of these companies (including BlackRock, Inc.) directly held 3% or more of the voting rights in Vonovia SE. None of these companies (including BlackRock, Inc.) directly held instruments totaling 5% or more of the voting rights in Vonovia SE. None of the companies directly held a sum total of voting rights and instruments corresponding to voting rights that was 5% or more.

7. Voting rights and/or instruments corresponding to voting rights in Vonovia SE were attributed to BlackRock, Inc. via the following subsidiaries: BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock International Holdings, Inc., BR Jersey International Holdings L.P., BlackRock Australia Holdco Pty. Ltd. and BlackRock Investment Management (Australia) Limited.

None of these companies (including BlackRock, Inc.) directly held 3% or more of the voting rights in Vonovia SE. None of these companies (including BlackRock, Inc.) directly held instruments totaling 5% or more of the voting rights in Vonovia SE. None of the companies directly held a sum total of voting rights and instruments corresponding to voting rights that was 5% or more.

8. Voting rights and/or instruments corresponding to voting rights in Vonovia SE were attributed to BlackRock, Inc. via the following subsidiaries: BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock International Holdings, Inc., BR Jersey International Holdings L.P., BlackRock (Singapore) Holdco Pte. Ltd., BlackRock HK Holdco Limited and BlackRock Asset Management North Asia Limited.

None of these companies (including BlackRock, Inc.) directly held 3% or more of the voting rights in Vonovia SE. None of these companies (including BlackRock, Inc.) directly held instruments totaling 5% or more of the voting rights in Vonovia SE. None of the companies directly held a sum total of voting rights and instruments corresponding to voting rights that was 5% or more.

9. Voting rights and/or instruments corresponding to voting rights in Vonovia SE were attributed to BlackRock, Inc. via the following subsidiaries: BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock International Holdings, Inc., BR Jersey International Holdings L.P., BlackRock Holdco 3, LLC, BlackRock Canada Holdings LP, BlackRock Canada Holdings ULC and BlackRock Asset Management Canada Limited.

None of these companies (including BlackRock, Inc.) directly held 3% or more of the voting rights in Vonovia SE. None of these companies (including BlackRock, Inc.) directly held instruments totaling 5% or more of the voting rights in Vonovia SE. None of the companies directly held a sum total of voting rights and instruments corresponding to voting rights that was 5% or more.

10. Voting rights and/or instruments corresponding to voting rights in Vonovia SE were attributed to BlackRock, Inc. via the following subsidiaries: BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock International Holdings, Inc., BR Jersey International Holdings L.P., BlackRock (Singapore) Holdco Pte. Ltd., BlackRock HK Holdco Limited, BlackRock Lux Finco S.à r.l., BlackRock Japan Holdings GK and BlackRock Japan Co., Ltd.

None of these companies (including BlackRock, Inc.) directly held 3% or more of the voting rights in Vonovia SE. None of these companies (including BlackRock, Inc.) directly held instruments totaling 5% or more of the voting rights in Vonovia SE. None of the companies directly held a sum total of voting rights and instruments corresponding to voting rights that was 5% or more.

11. Voting rights and/or instruments corresponding to voting rights in Vonovia SE were attributed to BlackRock, Inc. via the following subsidiaries: BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock International Holdings, Inc., BR Jersey International Holdings L.P., BlackRock Holdco 3, LLC, BlackRock Cayman 1 LP, BlackRock Cayman West Bay Finco Limited, BlackRock Cayman West Bay IV Limited, BlackRock Group Limited and BlackRock International Limited.

None of these companies (including BlackRock, Inc.) directly held 3% or more of the voting rights in Vonovia SE. None of these companies (including BlackRock, Inc.) directly held instruments totaling 5% or more of the voting rights in Vonovia SE. None of the companies directly held a sum total of voting rights and instruments corresponding to voting rights that was 5% or more.

12. Voting rights and/or instruments corresponding to voting rights in Vonovia SE were attributed to BlackRock, Inc. via the following subsidiaries: BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock International Holdings, Inc., BR Jersey International Holdings L.P., BlackRock Holdco 3, LLC, BlackRock Cayman 1 LP, BlackRock Cayman West Bay Finco Limited, BlackRock Cayman West Bay IV Limited, BlackRock Group Limited, BlackRock Finance Europe Limited and BlackRock (Netherlands) B.V.

None of these companies (including BlackRock, Inc.) directly held 3% or more of the voting rights in Vonovia SE. None of these companies (including BlackRock, Inc.) directly held instruments totaling 5% or more of the voting rights in Vonovia SE. None of the companies directly held a sum total of voting rights and instruments corresponding to voting rights that was 5% or more.

13. Voting rights and/or instruments corresponding to voting rights in Vonovia SE were attributed to BlackRock, Inc. via the following subsidiaries: BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock International Holdings, Inc., BR Jersey International Holdings L.P., BlackRock Holdco 3, LLC, BlackRock Cayman 1 LP, BlackRock Cayman West Bay Finco Limited, BlackRock Cayman West Bay IV Limited, BlackRock Group Limited, BlackRock Finance Europe Limited and BlackRock Advisors (UK) Limited.

None of these companies (including BlackRock, Inc.) directly held 3% or more of the voting rights in Vonovia SE. None of these companies (including BlackRock, Inc.) directly held instruments totaling 5% or more of the voting rights in Vonovia SE. None of the companies directly held a sum total of voting rights and instruments corresponding to voting rights that was 5% or more.

14. Voting rights and/or instruments corresponding to voting rights in Vonovia SE were attributed to BlackRock, Inc. via the following subsidiaries: BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock International Holdings, Inc., BR Jersey International Holdings L.P., BlackRock Holdco 3, LLC, BlackRock Cayman 1 LP, BlackRock Cayman West Bay Finco Limited, BlackRock Cayman West Bay IV Limited, BlackRock Group Limited, BlackRock Luxembourg Holdco S.à r.l. and BlackRock (Luxembourg) S.A.

None of these companies (including BlackRock, Inc.) directly held 3% or more of the voting rights in Vonovia SE. None of these companies (including BlackRock, Inc.) directly held instruments totaling 5% or more of the voting rights in Vonovia SE. None of the companies directly held a sum total of voting rights and instruments corresponding to voting rights that was 5% or more.

15. Voting rights and/or instruments corresponding to voting rights in Vonovia SE were attributed to BlackRock, Inc. via the following subsidiaries: BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock International Holdings, Inc., BR Jersey International Holdings L.P., BlackRock Holdco 3, LLC, BlackRock Cayman 1 LP, BlackRock Cayman West Bay Finco Limited, BlackRock Cayman West Bay IV Limited, BlackRock Group Limited, BlackRock International Limited and BlackRock Life Limited.

None of these companies (including BlackRock, Inc.) directly held 3% or more of the voting rights in Vonovia SE. None of these companies (including BlackRock, Inc.) directly held instruments totaling 5% or more of the voting rights in Vonovia SE. None of the companies directly held a sum total of voting rights and instruments corresponding to voting rights that was 5% or more.

16. Voting rights and/or instruments corresponding to voting rights in Vonovia SE were attributed to BlackRock, Inc. via the following subsidiaries: BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock International Holdings, Inc., BR Jersey International Holdings L.P., BlackRock Holdco 3, LLC, BlackRock Cayman 1 LP, BlackRock Cayman West Bay Finco Limited, BlackRock Cayman West Bay IV Limited, BlackRock Group Limited, BlackRock Finance Europe Limited and BlackRock Investment Management (UK) Limited.

None of these companies (including BlackRock, Inc.) directly held 3% or more of the voting rights in Vonovia SE. None of these companies (including BlackRock, Inc.) directly held instruments totaling 5% or more of the voting rights in Vonovia SE. None of the companies directly held a sum total of voting rights and instruments corresponding to voting rights that was 5% or more.

17. Voting rights and/or instruments corresponding to voting rights in Vonovia SE were attributed to BlackRock, Inc. via the following subsidiaries: BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock International Holdings, Inc., BR Jersey International Holdings L.P., BlackRock Holdco 3, LLC, BlackRock Cayman 1 LP, BlackRock Cayman West Bay Finco Limited, BlackRock Cayman West Bay IV Limited, BlackRock Group Limited, BlackRock Luxembourg Holdco S.a.r.l., BlackRock Investment Management Ireland Holdings Limited and BlackRock Asset Management Ireland Limited.

None of these companies (including BlackRock, Inc.) directly held 3% or more of the voting rights in Vonovia SE. None of these companies (including BlackRock, Inc.) directly held instruments totaling 5% or more of the voting rights in Vonovia SE. None of the companies directly held a sum total of voting rights and instruments corresponding to voting rights that was 5% or more.

18. Voting rights and/or instruments corresponding to voting rights in Vonovia SE were attributed to BlackRock, Inc. via the following subsidiaries: BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock International Holdings, Inc., BR Jersey International Holdings L.P., BlackRock Holdco 3, LLC, BlackRock Cayman 1 LP, BlackRock Cayman West Bay Finco Limited, BlackRock Cayman West Bay IV Limited, BlackRock Group Limited, BlackRock Luxembourg Holdco S.a.r.l., BlackRock UK Holdco Limited and BlackRock Asset Management Schweiz AG.

None of these companies (including BlackRock, Inc.) directly held 3% or more of the voting rights in Vonovia SE. None of these companies (including BlackRock, Inc.) directly held instruments totaling 5% or more of the voting rights in Vonovia SE. None of the companies directly held a sum total of voting rights and instruments corresponding to voting rights that was 5% or more.

19. Voting rights and/or instruments corresponding to voting rights in Vonovia SE were attributed to BlackRock, Inc. via the following subsidiaries: BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock International Holdings, Inc., BR Jersey International Holdings L.P., BlackRock Holdco 3, LLC, BlackRock Cayman 1 LP, BlackRock Cayman West Bay Finco Limited, BlackRock Cayman West Bay IV Limited, BlackRock Group Limited, BlackRock Finance Europe Limited, BlackRock InvestmentManagement (UK) Limited and BlackRock Fund Managers Limitd.

None of these companies (including BlackRock, Inc.) directly held 3% or more of the voting rights in Vonovia SE. None of these companies (including BlackRock, Inc.) directly held instruments totaling 5% or more of the voting rights in Vonovia SE. None of the companies directly held a sum total of voting rights and instruments corresponding to voting rights that was 5% or more.

20. Voting rights and/or instruments corresponding to voting rights in Vonovia SE were attributed to BlackRock, Inc. via the following subsidiaries: BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock International Holdings, Inc., BR Jersey International Holdings L.P., BlackRock Holdco 3, LLC, BlackRock Cayman 1 LP, BlackRock Cayman West Bay Finco Limited, BlackRock Cayman West Bay IV Limited, BlackRock Group Limited, BlackRock Finance Europe Limited, BlackRock InvestmentManagement (UK) Limited and BlackRock Asset Management Deutschland AG.

None of these companies (including BlackRock, Inc.) directly held 3% or more of the voting rights in Vonovia SE. None of these companies (including BlackRock, Inc.) directly held instruments totaling 5% or more of the voting rights in Vonovia SE. None of the companies directly held a sum total of voting rights and instruments corresponding to voting rights that was 5% or more.

21. Voting rights and/or instruments corresponding to voting rights in Vonovia SE were attributed to BlackRock, Inc. via the following subsidiaries: BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock International Holdings, Inc., BR Jersey International Holdings L.P., BlackRock Holdco 3, LLC, BlackRock Cayman 1 LP, BlackRock Cayman West Bay Finco Limited, BlackRock Cayman West Bay IV Limited, BlackRock Group Limited, BlackRock Finance Europe Limited, BlackRock InvestmentManagement (UK) Limited, BlackRock Asset Management Deutschland AG and iShares (DE) I Investmentaktiengesellschaft mit Teilgesellschaftsvermögen.

None of these companies (including BlackRock, Inc.) directly held 3% or more of the voting rights in Vonovia SE. None of these companies (including BlackRock, Inc.) directly held instruments totaling 5% or more of the voting rights in Vonovia SE. None of the companies directly held a sum total of voting rights and instruments corresponding to voting rights that was 5% or more.

BlackRock, Inc. has not been granted a power of attorney pursuant to Section 34 (3) WpHG.

DWS Investment GmbH

DWS Investment GmbH, Frankfurt am Main, Germany, informed us, as a result of the acquisition/disposal of shares with voting rights and as a voluntary Group notification involving a threshold being reached at the level of the subsidiaries, that its share of voting rights in Vonovia SE, Universitätsstraße 133, 44803 Bochum, Germany, stood at 3.20% on September 18, 2020 (18,084,737 voting rights of a total number of voting rights in Vonovia SE of 565,887,299). (As of the time of the previous notification, the share of voting rights had stood at 2.93%). The published original wording of this notification can be found in Appendix 3.2.

According to item 4 of this notification, no company whose voting rights were attributable to DWS Investment GmbH directly held 3% or more of the voting rights in Vonovia SE.

3.20% of voting rights (18,084,737 voting rights) arising from shares with the ISIN DE000A1ML7J1 were attributed to DWS Investment GmbH in accordance with Section 34 WpHG. DWS Investment GmbH itself held no voting rights pursuant to Section 33 WpHG arising from shares with the ISIN DE000A1ML7J1.

No instruments within the meaning of Section 38 (1) Nos. 1 or 2 WpHG were attributed to DWS Investment GmbH.

FMR LLC

FMR LLC,Wilmington, Delaware, United States of America, informed us, as a result of the acquisition/disposal of shares with voting rights and as a voluntary Group notification involving a threshold being reached at the level of the subsidiaries, that its share of voting rights in Vonovia SE, Universitätsstraße 133, 44803 Bochum, Germany, stood at 3.43% on July 13, 2020 (18,575,140 voting rights of a total number of voting rights in Vonovia SE of 542,273,611). (As of the time of the previous notification, the share of voting rights had stood at 2.96%). The published original wording of this notification can be found in Appendix 3.3.

According to item 4 of this notification, no company whose voting rights were attributable to FMR LLC directly held 3% or more of the voting rights in Vonovia SE.

3.43% of voting rights (18,575,140 voting rights) arising from shares with the ISIN DE000A1ML7J1 were attributed to FMR LLC in accordance with Section 34 WpHG. FMR LLC itself held no voting rights pursuant to Section 33 WpHG arising from shares with the ISIN DE000A1ML7J1.

0.03% of voting rights (150,000 voting rights) were attributed to FMR LLC. due to lent securities, i.e., instruments within the meaning of Section 38 (1) No. 1 WpHG. No instruments within the meaning of Section 38 (1) No. 2 WpHG were attributed to FMR LLC.

The complete chain of subsidiaries, beginning with the most senior controlling person or the most senior controlling company, is as follows:

1. Voting rights and/or instruments corresponding to voting rights in Vonovia SE were attributed to FMR LLC via the following subsidiaries: Fidelity Management & Research Company LLC.

This company did not directly hold 3% or more of the voting rights in Vonovia SE. The company directly held no instruments totaling 5% or more of the voting rights in Vonovia SE. The company did not directly hold a sum total of voting rights and instruments corresponding to voting rights that was 5% or more.

2. Voting rights and/or instruments corresponding to voting rights in Vonovia SE were attributed to FMR LLC via the following subsidiaries: FIAM Holdings LLC and Fidelity Institutional Asset Management Trust Company.

None of these companies (including FMR LLC) directly held 3% or more of the voting rights in Vonovia SE. None of these companies (including FMR LLC) directly held instruments totaling 5% or more of the voting rights in Vonovia SE. None of the companies directly held a sum total of voting rights and instruments corresponding to voting rights that was 5% or more.

3. Voting rights and/or instruments corresponding to voting rights in Vonovia SE were attributed to FMR LLC via the following subsidiaries: FIAM Holdings LLC and FIAM LLC.

None of these companies (including FMR LLC) directly held 3% or more of the voting rights in Vonovia SE. None of these companies (including FMR LLC) directly held instruments totaling 5% or more of the voting rights in Vonovia SE. None of the companies directly held a sum total of voting rights and instruments corresponding to voting rights that was 5% or more.

FMR LLC has not been granted a power of attorney pursuant to Section 34 (3) WpHG.

State of Norway

The Ministry of Finance on behalf of the State of Norway, Oslo, Norway, informed us in the form of an inventory notification, taking voting rights pursuant to Section 33 (1) WpHG (Section 21 (1) in the old version) that are held as security into account, that the share of voting rights attributable to the State of Norway in Vonovia SE, Universitätsstraße 133, 44803 Bochum, Germany, stood at 7.63% on August 19, 2016 (35,566,312 voting rights of a total number of voting rights in Vonovia SE of 466,000,624). (As of the time of the previous notification, the share of voting rights had stood at 8.85%.) The published original wording of this notification can be found in Appendix 3.4.

Norges Bank, whose voting rights were attributable to the State of Norway, directly held 3% or more of the voting rights in Vonovia SE.

7.63% of voting rights (35,566,312 voting rights) arising from shares with the ISIN DE000A1ML7J1 were attributed to the State of Norway in accordance with Section 34 WpHG (Section 22 in the old version). The State of Norway itself held no voting rights pursuant to Section 33 WpHG (Section 21 in the old version) arising from shares with the ISIN DE000A1ML7J1.

No instruments within the meaning of Section 38 (1) No. 1 (Section 25 (1) No. 1 in the old version) or Section 38 (1) No. 2 WpHG (Section 25 (1) No. 2 in the old version) were attributed to the State of Norway.

The complete chain of subsidiaries, beginning with the most senior controlling person or the most senior controlling company, is as follows:

Voting rights and/or instruments corresponding to voting rights in Vonovia SE were attributed to the State of Norway via the following subsidiary: Norges Bank.

According to the notification submitted, Norges Bank held direct voting rights in Vonovia SE of 7.63%. The State of Norway, however, did not directly hold voting rights in Vonovia SE of 3% or above. None of these companies (including the State of Norway) directly held instruments totaling 5% or more of the voting rights in Vonovia SE. The sum total of voting rights and instruments corresponding to voting rights held directly came to 7.63% for Norges Bank but to less than 5% in respect of the State of Norway.

The State of Norway has not been granted a power of attorney pursuant to Section 34 (3) WpHG (Section 22 (3) in the old version).

Stichting Pensioenfonds ABP (“APG”)

Stichting Pensioenfonds ABP, Heerlen, Netherlands, informed us, as a result of the acquisition/disposal of shares with voting rights, that its share of voting rights in Vonovia SE, Universitätsstraße 133, 44803 Bochum, Germany, stood at 3.12% on June 28, 2019 (16,941,740 voting rights of a total number of voting rights in Vonovia SE of 542,273,611). (As of the time of the previous notification, the share of voting rights had stood at 2.93%). The original wording of the notification published by the issuer on July 3, 2019, can be found in Appendix 3.5.

According to item 4 of this notification, no company whose voting rights were attributable to Stichting Pensioenfonds ABP directly held 3% or more of the voting rights in Vonovia SE.

3.12% of voting rights (16,941,740 voting rights) arising from shares with the ISIN DE000A1ML7J1 were attributed to Stichting Pensioenfonds ABP in accordance with Section 34 WpHG (Section 22 in the old version). Stichting Pensioenfonds ABP itself held no voting rights pursuant to Section 33 WpHG (Section 21 in the old version) arising from shares with the ISIN DE000A1ML7J1.

No instruments within the meaning of Section 38 (1) No. 1 (Section 25 (1) No. 1 in the old version) or Section 38 (1) No. 2 WpHG (Section 25 (1) No. 2 in the old version) were attributed to Stichting Pensioenfonds ABP.

The complete chain of subsidiaries, beginning with the most senior controlling person or the most senior controlling company, is as follows:

Voting rights and/or instruments corresponding to voting rights in Vonovia SE were attributed to Stichting Pensioenfonds ABP via the following subsidiaries: APG Groep N.V. and APG Asset Management N.V.

According to the notification submitted, APG Asset Management N.V. held direct voting rights in Vonovia SE of 3.12%. APG Groep N.V., however, did not directly hold voting rights in Vonovia SE of 3% or above. None of these companies (including Stichting Pensioenfonds ABP) directly held instruments totaling 5% or more of the voting rights in Vonovia SE. The sum total of voting rights and instruments corresponding to voting rights held directly by all companies (including Stichting Pensioenfonds ABP), however, was below 5%.

Stichting Pensioenfonds ABP has not been granted a power of attorney pursuant to Section 34 (3) WpHG.

Appendix 3.1

Vonovia SE: Release according to Section 40 (1) WpHG with the objective of Europe-wide distribution

Vonovia SE
July 9, 2020 / 10:09 a.m.
Dissemination of a Voting Rights Announcement transmitted by DGAP – a service of EQS Group AG.
The issuer is solely responsible for the content of this announcement.

Notification of Major Holdings

1. Details of issuer

Name	Vonovia SE
Street, Street number	Universitätsstraße 133
Postal code	44803
City	Bochum, Germany
Legal Entity Identifier (LEI)	5299005A2ZEP6AP7KM81

2. Reason for notification

X	Acquisition/disposal of shares with voting rights
	Acquisition/disposal of instruments
	Change of breakdown of voting rights
X	Other reason: voluntary group notification with triggered threshold on subsidiary level

3. Details of person subject to the notification obligation

Legal entity	City and country of registered office
BlackRock, Inc.	Wilmington, Delaware, United States of America (USA)

4. Name(s) of shareholder(s)

holding directly 3% or more voting rights, if different from 3.

5. Date on which threshold was crossed or reached

July 3, 2020

6. Total positions

	% of voting rights attached to shares (total of 7.a.)	% of voting rights through instruments (total of 7.b.1. + 7.b.2.)	Total of both in % (7.a. + 7.b.)	Total number of voting rights pursuant to Section 41 WpHG
New	7.65%	0.20%	7.85%	542,273,611
Previous notification	6.88%	0.93%	7.81%	—

7. Details on total positions

a. Voting rights attached to shares (Sections 33, 34 WpHG)

	Absolute		in %	
ISIN	Direct (Section 33 WpHG)	Indirect (Section 34 WpHG)	Direct (Section 33 WpHG)	Indirect (Section 34 WpHG)
DE000A1ML7J1	0	41,483,210	0%	7.65%
Total		**41,483,210**		**7.65%**

b.1. Instruments according to Section 38 (1) no. 1 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period		Voting rights absolute	Voting rights in %
Lent securities (right to recall)	n/a	n/a		1,020,698	0.19%
Total				**1,020,698**	**0.19%**

b.2. Instruments according to Section 38 (1) no. 2 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Cash or physical settlement	Voting rights absolute	Voting rights in %
Contract for difference	n/a	n/a	Cash	37,600	0.01%
Total				**37,600**	**0.01%**

8. Information in relation to the person subject to the notification obligation

	Person subject to the notification obligation (3.) is not controlled nor does it control any other undertaking(s) holding directly or indirectly an interest in the (underlying) issuer (1.).
X	Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	% of voting rights (if at least held 3% or more)	% of voting rights through instruments (if at least held 5% or more)	Total of both (if at least held 5% or more)
BlackRock, Inc.	–	–	–
Trident Merger LLC	–	–	–
BlackRock Investment Management, LLC	–	–	–
BlackRock, Inc.	–	–	–
BlackRock Holdco 2, Inc.	–	–	–
BlackRock Financial Management, Inc.	–	–	–
BlackRock, Inc.	–	–	–
BlackRock Holdco 2, Inc.	–	–	–
BlackRock Financial Management, Inc.	–	–	–
BlackRock Capital Holdings, Inc.	–	–	–
BlackRock Advisors, LLC	–	–	–

Name	% of voting rights (if at least held 3% or more)	% of voting rights through instruments (if at least held 5% or more)	Total of both (if at least held 5% or more)
BlackRock, Inc.	—	—	—
BlackRock Holdco 2, Inc.	—	—	—
BlackRock Financial Management, Inc.	—	—	—
BlackRock International Holdings, Inc.	—	—	—
BR Jersey International Holdings L.P.	—	—	—
BlackRock (Singapore) Holdco Pte. Ltd.	—	—	—
BlackRock (Singapore) Limited	—	—	—
BlackRock, Inc.	—	—	—
BlackRock Holdco 2, Inc.	—	—	—
BlackRock Financial Management, Inc.	—	—	—
BlackRock Holdco 4, LLC	—	—	—
BlackRock Holdco 6, LLC	—	—	—
BlackRock Delaware Holdings Inc.	—	—	—
BlackRock Fund Advisors	—	—	—
BlackRock, Inc.	—	—	—
BlackRock Holdco 2, Inc.	—	—	—
BlackRock Financial Management, Inc.	—	—	—
BlackRock Holdco 4, LLC	—	—	—
BlackRock Holdco 6, LLC	—	—	—
BlackRock Delaware Holdings Inc.	—	—	—
BlackRock Institutional Trust Company, National Association	—	—	—
BlackRock, Inc.	—	—	—
BlackRock Holdco 2, Inc.	—	—	—
BlackRock Financial Management, Inc.	—	—	—
BlackRock International Holdings, Inc.	—	—	—
BR Jersey International Holdings L.P.	—	—	—
BlackRock Australia Holdco Pty. Ltd.	—	—	—
BlackRock Investment Management (Australia) Limited	—	—	—
BlackRock, Inc.	—	—	—
BlackRock Holdco 2, Inc.	—	—	—
BlackRock Financial Management, Inc.	—	—	—
BlackRock International Holdings, Inc.	—	—	—
BR Jersey International Holdings L.P.	—	—	—
BlackRock (Singapore) Holdco Pte. Ltd.	—	—	—
BlackRock HK Holdco Limited	—	—	—
BlackRock Asset Management North Asia Limited	—	—	—
BlackRock, Inc.	—	—	—
BlackRock Holdco 2, Inc.	—	—	—
BlackRock Financial Management, Inc.	—	—	—
BlackRock International Holdings, Inc.	—	—	—
BR Jersey International Holdings L.P.	—	—	—

Declaration in Accordance with Section 160 (1) No. 8 of the German Stock Corporation Act (AktG)

Name	% of voting rights (if at least held 3% or more)	% of voting rights through instruments (if at least held 5% or more)	Total of both (if at least held 5% or more)
BlackRock Holdco 3, LLC	—	—	—
BlackRock Canada Holdings LP	—	—	—
BlackRock Canada Holdings ULC	—	—	—
BlackRock Asset Management Canada Limited	—	—	—
BlackRock, Inc.	—	—	—
BlackRock Holdco 2, Inc.	—	—	—
BlackRock Financial Management, Inc.	—	—	—
BlackRock International Holdings, Inc.	—	—	—
BR Jersey International Holdings L.P.	—	—	—
BlackRock (Singapore) Holdco Pte. Ltd.	—	—	—
BlackRock HK Holdco Limited	—	—	—
BlackRock Lux Finco S. a r.l.	—	—	—
BlackRock Japan Holdings GK	—	—	—
BlackRock Japan Co., Ltd.	—	—	—
BlackRock, Inc.	—	—	—
BlackRock Holdco 2, Inc.	—	—	—
BlackRock Financial Management, Inc.	—	—	—
BlackRock International Holdings, Inc.	—	—	—
BR Jersey International Holdings L.P.	—	—	—
BlackRock Holdco 3, LLC	—	—	—
BlackRock Cayman 1 LP	—	—	—
BlackRock Cayman West Bay Finco Limited	—	—	—
BlackRock Cayman West Bay IV Limited	—	—	—
BlackRock Group Limited	—	—	—
BlackRock International Limited	—	—	—
BlackRock, Inc.	—	—	—
BlackRock Holdco 2, Inc.	—	—	—
BlackRock Financial Management, Inc.	—	—	—
BlackRock International Holdings, Inc.	—	—	—
BR Jersey International Holdings L.P.	—	—	—
BlackRock Holdco 3, LLC	—	—	—
BlackRock Cayman 1 LP	—	—	—
BlackRock Cayman West Bay Finco Limited	—	—	—
BlackRock Cayman West Bay IV Limited	—	—	—
BlackRock Group Limited	—	—	—
BlackRock Finance Europe Limited	—	—	—
BlackRock (Netherlands) B.V.	—	—	—
BlackRock, Inc.	—	—	—
BlackRock Holdco 2, Inc.	—	—	—
BlackRock Financial Management, Inc.	—	—	—
BlackRock International Holdings, Inc.	—	—	—
BR Jersey International Holdings L.P.	—	—	—

Name	% of voting rights (if at least held 3% or more)	% of voting rights through instruments (if at least held 5% or more)	Total of both (if at least held 5% or more)
BlackRock Holdco 3, LLC	—	—	—
BlackRock Cayman 1 LP	—	—	—
BlackRock Cayman West Bay Finco Limited	—	—	—
BlackRock Cayman West Bay IV Limited	—	—	—
BlackRock Group Limited	—	—	—
BlackRock Finance Europe Limited	—	—	—
BlackRock Advisors (UK) Limited	—	—	—
BlackRock, Inc.	—	—	—
BlackRock Holdco 2, Inc.	—	—	—
BlackRock Financial Management, Inc.	—	—	—
BlackRock International Holdings, Inc.	—	—	—
BR Jersey International Holdings L.P.	—	—	—
BlackRock Holdco 3, LLC	—	—	—
BlackRock Cayman 1 LP	—	—	—
BlackRock Cayman West Bay Finco Limited	—	—	—
BlackRock Cayman West Bay IV Limited	—	—	—
BlackRock Group Limited	—	—	—
BlackRock Luxembourg Holdco S.a.r.l.	—	—	—
BlackRock (Luxembourg) S.A.	—	—	—
BlackRock, Inc.	—	—	—
BlackRock Holdco 2, Inc.	—	—	—
BlackRock Financial Management, Inc.	—	—	—
BlackRock International Holdings, Inc.	—	—	—
BR Jersey International Holdings L.P.	—	—	—
BlackRock Holdco 3, LLC	—	—	—
BlackRock Cayman 1 LP	—	—	—
BlackRock Cayman West Bay Finco Limited	—	—	—
BlackRock Cayman West Bay IV Limited	—	—	—
BlackRock Group Limited	—	—	—
BlackRock International Limited	—	—	—
BlackRock Life Limited	—	—	—
BlackRock, Inc.	—	—	—
BlackRock Holdco 2, Inc.	—	—	—
BlackRock Financial Management, Inc.	—	—	—
BlackRock International Holdings, Inc.	—	—	—
BR Jersey International Holdings L.P.	—	—	—
BlackRock Holdco 3, LLC	—	—	—
BlackRock Cayman 1 LP	—	—	—
BlackRock Cayman West Bay Finco Limited	—	—	—
BlackRock Cayman West Bay IV Limited	—	—	—
BlackRock Group Limited	—	—	—
BlackRock Finance Europe Limited	—	—	—
BlackRock Investment Management (UK) Limited	—	—	—

Declaration in Accordance with Section 160 (1) No. 8 of the German Stock Corporation Act (AktG)

Name	% of voting rights (if at least held 3% or more)	% of voting rights through instruments (if at least held 5% or more)	Total of both (if at least held 5% or more)
BlackRock, Inc.	–	–	–
BlackRock Holdco 2, Inc.	–	–	–
BlackRock Financial Management, Inc.	–	–	–
BlackRock International Holdings, Inc.	–	–	–
BR Jersey International Holdings L.P.	–	–	–
BlackRock Holdco 3, LLC	–	–	–
BlackRock Cayman 1 LP	–	–	–
BlackRock Cayman West Bay Finco Limited	–	–	–
BlackRock Cayman West Bay IV Limited	–	–	–
BlackRock Group Limited	–	–	–
BlackRock Luxembourg Holdco S.a.r.l.	–	–	–
BlackRock Investment Management Ireland Holdings Limited	–	–	–
BlackRock Asset Management Ireland Limited	–	–	–
BlackRock, Inc.	–	–	–
BlackRock Holdco 2, Inc.	–	–	–
BlackRock Financial Management, Inc.	–	–	–
BlackRock International Holdings, Inc.	–	–	–
BR Jersey International Holdings L.P.	–	–	–
BlackRock Holdco 3, LLC	–	–	–
BlackRock Cayman 1 LP	–	–	–
BlackRock Cayman West Bay Finco Limited	–	–	–
BlackRock Cayman West Bay IV Limited	–	–	–
BlackRock Group Limited	–	–	–
BlackRock Luxembourg Holdco S.a.r.l.	–	–	–
BlackRock UK Holdco Limited	–	–	–
BlackRock Asset Management Schweiz AG	–	–	–
BlackRock, Inc.	–	–	–
BlackRock Holdco 2, Inc.	–	–	–
BlackRock Financial Management, Inc.	–	–	–
BlackRock International Holdings, Inc.	–	–	–
BR Jersey International Holdings L.P.	–	–	–
BlackRock Holdco 3, LLC	–	–	–
BlackRock Cayman 1 LP	–	–	–
BlackRock Cayman West Bay Finco Limited	–	–	–
BlackRock Cayman West Bay IV Limited	–	–	–
BlackRock Group Limited	–	–	–
BlackRock Finance Europe Limited	–	–	–
BlackRock Investment Management (UK) Limited	–	–	–
BlackRock Fund Managers Limited	–	–	–
BlackRock, Inc.	–	–	–
BlackRock Holdco 2, Inc.	–	–	–
BlackRock Financial Management, Inc.	–	–	–
BlackRock International Holdings, Inc.	–	–	–

Name	% of voting rights (if at least held 3% or more)	% of voting rights through instruments (if at least held 5% or more)	Total of both (if at least held 5% or more)
BR Jersey International Holdings L.P.	—	—	—
BlackRock Holdco 3, LLC	—	—	—
BlackRock Cayman 1 LP	—	—	—
BlackRock Cayman West Bay Finco Limited	—	—	—
BlackRock Cayman West Bay IV Limited	—	—	—
BlackRock Group Limited	—	—	—
BlackRock Finance Europe Limited	—	—	—
BlackRock Investment Management (UK) Limited	—	—	—
BlackRock Asset Management Deutschland AG	—	—	—
BlackRock, Inc.	—	—	—
BlackRock Holdco 2, Inc.	—	—	—
BlackRock Financial Management, Inc.	—	—	—
BlackRock International Holdings, Inc.	—	—	—
BR Jersey International Holdings L.P.	—	—	—
BlackRock Holdco 3, LLC	—	—	—
BlackRock Cayman 1 LP	—	—	—
BlackRock Cayman West Bay Finco Limited	—	—	—
BlackRock Cayman West Bay IV Limited	—	—	—
BlackRock Group Limited	—	—	—
BlackRock Finance Europe Limited	—	—	—
BlackRock Investment Management (UK) Limited	—	—	—
BlackRock Asset Management Deutschland AG	—	—	—
iShares (DE) I Investmentaktiengesellschaft mit Teilgesellschaftsvermögen	—	—	—

9. In case of proxy voting according to Section 34 (3) WpHG

(only in case of attribution of voting rights pursuant to Section 34 (1) sentence 1 no. 6 WpHG)

Date of the general meeting:
Total positions (6.) after general meeting:

% of voting rights attached to shares	—
% of voting rights through instruments	—
Total of both	—

10. Other useful information

Date
July 8, 2020

Appendix 3.2

Vonovia SE: Release according to Section 40 (1) WpHG with the objective of Europe-wide distribution

Vonovia SE
Sept. 28, 2020 / 9:51 a.m.
Dissemination of a Voting Rights Announcement transmitted by DGAP – a service of EQS Group AG.
The issuer is solely responsible for the content of this announcement.

Notification of Major Holdings

1. Details of issuer

Name	Vonovia SE
Street, Street number	Universitätsstraße 133
Postal code	44803
City	Bochum, Germany
Legal Entity Identifier (LEI)	5299005A2ZEP6AP7KM81

2. Reason for notification

X	Acquisition/disposal of shares with voting rights
	Acquisition/disposal of instruments
	Change of breakdown of voting rights
	Other reason:

3. Details of person subject to the notification obligation

Legal entity	City and country of registered office
DWS Investment GmbH	Frankfurt am Main, Germany

4. Name(s) of shareholder(s)

holding directly 3% or more voting rights, if different from 3.

5. Date on which threshold was crossed or reached

Sept. 18, 2020

6. Total positions

	% of voting rights attached to shares (total of 7.a.)	% of voting rights through instruments (total of 7.b.1. + 7.b.2.)	Total of both in % (7.a. + 7.b.)	Total number of voting rights pursuant to Section 41 WpHG
New	3.20%	0.00%	3.20%	565,887,299
Previous notification	2.93%	0.00%	2.93%	–

7. Details on total positions

a. Voting rights attached to shares (Sections 33, 34 WpHG)

	Absolute		**in %**	
ISIN	Direct (Section 33 WpHG)	Indirect (Section 34 WpHG)	Direct (Section 33 WpHG)	Indirect (Section 34 WpHG)
DE000A1ML7J1	0	18,084,737	0.00%	3.20%
Total		**18,084,737**		**3.20%**

b.1. Instruments according to Section 38 (1) no. 1 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period		Voting rights absolute	Voting rights in %
				0	0.00%
Total				**0**	**0.00%**

b.2. Instruments according to Section 38 (1) no. 2 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Cash or physical settlement	Voting rights absolute	Voting rights in %
				0	0.00%
Total				**0**	**0.00%**

8. Information in relation to the person subject to the notification obligation

X	Person subject to the notification obligation (3.) is not controlled nor does it control any other undertaking(s) holding directly or indirectly an interest in the (underlying) issuer (1.).
	Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	% of voting rights (if at least held 3% or more)	% of voting rights through instruments (if at least held 5% or more)	Total of both (if at least held 5% or more)
—	—	—	—

9. In case of proxy voting according to Section 34 (3) WpHG
(only in case of attribution of voting rights pursuant to Section 34 (1) sentence 1 no. 6 WpHG)

Date of the general meeting:
Total positions (6.) after general meeting:

% of voting rights attached to shares	—
% of voting rights through instruments	—
Total of both	—

10. Other useful information
Date
Sept. 23, 2020

Appendix 3.3

Vonovia SE: Release according to Section 40 (1) WpHG with the objective of Europe-wide distribution

Vonovia SE
July 15, 2020 / 2:39 p.m.
Dissemination of a Voting Rights Announcement transmitted by DGAP – a service of EQS Group AG.
The issuer is solely responsible for the content of this announcement.

Notification of Major Holdings

1. Details of issuer

Name	Vonovia SE
Street, Street number	Universitätsstraße 133
Postal code	44803
City	Bochum, Germany
Legal Entity Identifier (LEI)	5299005A2ZEP6AP7KM81

2. Reason for notification

X	Acquisition/disposal of shares with voting rights
	Acquisition/disposal of instruments
	Change of breakdown of voting rights
	Other reason:

3. Details of person subject to the notification obligation

Legal entity	City and country of registered office
FMR LLC	Wilmington, Delaware, United States of America (USA)

4. Name(s) of shareholder(s)

holding directly 3% or more voting rights, if different from 3.

5. Date on which threshold was crossed or reached

July 13, 2020

6. Total positions

	% of voting rights attached to shares (total of 7.a.)	% of voting rights through instruments (total of 7.b.1. + 7.b.2.)	Total of both in % (7.a. + 7.b.)	Total number of voting rights pursuant to Section 41 WpHG
New	3.43%	0.03%	3.45%	542,273,611
Previous notification	2.96%	0.60%	3.56%	—

7. Details on total positions

a. Voting rights attached to shares (Sections 33, 34 WpHG)

	Absolute		**in %**	
ISIN	Direct (Section 33 WpHG)	Indirect (Section 34 WpHG)	Direct (Section 33 WpHG)	Indirect (Section 34 WpHG)
DE000A1ML7J1	0	18,575,140	0.00%	3.43%
Total		**18,575,140**		**3.43%**

b.1. Instruments according to Section 38 (1) no. 1 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period		Voting rights absolute	Voting rights in %
Stock loan (right of recall)	n/a	n/a		150,000	0.03%
Total				**150,000**	**0.03%**

b.2. Instruments according to Section 38 (1) no. 2 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Cash or physical settlement	Voting rights absolute	Voting rights in %
				0	0.00%
Total				**0**	**0.00%**

8. Information in relation to the person subject to the notification obligation

	Person subject to the notification obligation (3.) is not controlled nor does it control any other undertaking(s) holding directly or indirectly an interest in the (underlying) issuer (1.).
X	Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	% of voting rights (if at least held 3% or more)	% of voting rights through instruments (if at least held 5% or more)	Total of both (if at least held 5% or more)
FMR LLC	—	—	—
Fidelity Management & Research Company LLC	—	—	—
FMR LLC	—	—	—
FIAM Holdings LLC.	—	—	—
Fidelity Institutional Asset Management Trust Company	—	—	—
FMR LLC	—	—	—
FIAM Holdings LLC	—	—	—
FIAM LLC	—	—	—

9. In case of proxy voting according to Section 34 (3) WpHG

(only in case of attribution of voting rights pursuant to Section 34 (1) sentence 1 no. 6 WpHG)

Date of the general meeting:

Total positions (6.) after general meeting:

% of voting rights attached to shares	—
% of voting rights through instruments	—
Total of both	—

10. Other useful information

Date

July 14, 2020

Appendix 3.4

DGAP Voting Rights Announcement: Vonovia SE

Release according to Section 26 (1) WpHG with the objective of Europe-wide distribution

Aug. 29, 2016
Dissemination of a Voting Rights Announcement transmitted by DGAP – a service of EQS Group AG.
The issuer is solely responsible for the content of this announcement.

Notification of Major Holdings

1. Details of issuer
Vonovia SE
Philippstraße 3
44803 Bochum
Germany

2. Reason for notification

	Acquisition/disposal of shares with voting rights
	Acquisition/disposal of instruments
	Change of breakdown of voting rights
X	Other reason: Inventory notification

3. Details of person subject to the notification obligation

Name	City and country of registered office
Finanzministerium für den Staat Norwegen | Ministry of Finance on behalf of the State of Norway	Oslo, Norway

4. Name(s) of shareholder(s)
holding directly 3% or more voting rights, if different from 3.
Norges Bank

5. Date on which threshold was crossed or reached
Aug. 19, 2016

6. Total positions

	% of voting rights attached to shares (total of 7.a.)	% of voting rights through instruments (total of 7.b.1. + 7.b.2.)	Total of both in % (7.a. + 7.b.)	Total number of voting rights of issuer
New	7.63%	0.00%	7.63%	466,000,624
Previous notification	8.85%	n/a %	n/a %	—

7. Details on total positions

a. Voting rights attached to shares (Sections 21, 22 WpHG)

ISIN	Absolute		in %	
	Direct (Section 21 WpHG)	Indirect (Section 22 WpHG)	Direct (Section 21 WpHG)	Indirect (Section 22 WpHG)
DE000A1ML7J1		35,566,312	—	7.63%
Total		**35,566,312**		**7.63%**

b.1. Instruments according to Section 25 (1) no. 1 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Voting rights absolute	Voting rights in %
				—
Total				**—**

b.2. Instruments according to Section 25 (1) no. 2 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Cash or physical settlement	Voting rights absolute	Voting rights in %
					—
Total					**—**

8. Information in relation to the person subject to the notification obligation

	Person subject to the notification obligation (3.) is not controlled and does itself not control any other undertaking(s) holding a reportable interest in the (underlying) issuer (1.).
X	Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	% of voting rights (if at least held 3% or more)	% of voting rights through instruments (if at least held 5% or more)	Total of both (if at least held 5% or more)
State of Norway	—	—	—
Norges Bank	7.63%	—	7.63%

9. In case of proxy voting according to Section 22 (3) WpHG

(only in case of attribution of voting rights pursuant to Section 22 (1) sentence 1 no. 6 WpHG)

Date of the general meeting:	
Holding position after general meeting:	— (equals voting rights)

10. Other explanatory remarks:

Inventory notification including voting rights from shares held as collateral.

Appendix 3.5

Vonovia SE: Release according to Section 40 (1) WpHG with the objective of Europe-wide distribution

Vonovia SE
July 7, 2019 / 2:32 p.m.
Dissemination of a Voting Rights Announcement transmitted by DGAP – a service of EQS Group AG.
The issuer is solely responsible for the content of this announcement.

Notification of Major Holdings

1. Details of issuer

Name	Vonovia SE
Street, Street number	Universitätsstraße 133
Postal code	44803
City	Bochum, Germany
Legal Entity Identifier (LEI)	5299005A2ZEP6AP7KM81

2. Reason for notification

X	Acquisition/disposal of shares with voting rights
	Acquisition/disposal of instruments
	Change of breakdown of voting rights
	Other reason:

3. Details of person subject to the notification obligation

Legal entity	City and country of registered office
Stichting Pensioenfonds ABP	Heerlen, Netherlands

4. Name(s) of shareholder(s)

holding directly 3% or more voting rights, if different from 3.

5. Date on which threshold was crossed or reached

June 28, 2019

6. Total positions

	% of voting rights attached to shares (total of 7.a.)	% of voting rights through instruments (total of 7.b.1. + 7.b.2.)	Total of both in % (7.a. + 7.b.)	Total number of voting rights of issuer
New	3.12%	0%	3.12%	542,273,611
Previous notification	2.93%	0%	2.93%	—

7. Details on total positions

a. Voting rights attached to shares (Sections 33, 34 WpHG)

	Absolute		in %	
ISIN	Direct (Section 33 WpHG)	Indirect (Section 34 WpHG)	Direct (Section 33 WpHG)	Indirect (Section 34 WpHG)
DE000A1ML7J1		16,941,740	—	3.12%
Total		**16,941,740**		**3.12%**

b.1. Instruments according to Section 38 (1) no. 1 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Voting rights absolute	Voting rights in %
				—
Total				**—**

b.2. Instruments according to Section 38 (1) no. 2 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Cash or physical settlement	Voting rights absolute	Voting rights in %
					—
Total					**—**

8. Information in relation to the person subject to the notification obligation

	Person subject to the notification obligation (3.) is not controlled nor does it control any other undertaking(s) holding directly or indirectly an interest in the (underlying) issuer (1.).
X	Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	% of voting rights (if at least held 3% or more)	% of voting rights through instruments (if at least held 5% or more)	Total of both (if at least held 5% or more)
Stichting Pensioenfonds ABP	—	—	—
APG Groep N.V.	—	—	—
APG Asset Management N.V.	3.12%	—	—

9. In case of proxy voting according to Section 34 (3) WpHG

(only in case of attribution of voting rights pursuant to Section 34 (1) sentence 1 no. 6 WpHG)

Date of the general meeting:
Total positions (6.) after general meeting:

% of voting rights attached to shares	—
% of voting rights through instruments	—
Total of both	—

10. Other useful information

Date
July 2, 2019

Independent Auditor’s Report

The following auditor's report, prepared in accordance with § 322 HGB ["Handelsgesetzbuch": "German Commercial Code"], refers to the complete consolidated financial statements, comprising of consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity and notes to the consolidated financial statements, together with the combined management report of Vonovia SE, Bochum, for the financial year from January 1, 2019 to December 31, 2019. The combined management report is not included in this prospectus. The below-mentioned auditor‘s report and consolidated financial statements are both translations of the respective German-language documents.

Report on the Audit of the Annual Financial Statements and of the Combined Management Report

Opinions

We have audited the annual financial statements of Vonovia SE, Bochum, which comprise the balance sheet as of December 31, 2020, and the income statement for the financial year from January 1 to December 31, 2020, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the combined management report of Vonovia SE for the financial year from January 1 to December 31, 2020. In accordance with German legal requirements, we have not audited the content of those components of the combined management report specified in the „Other Information“ section of our auditor‘s report.

In our opinion, on the basis of the knowledge obtained in the audit,

> the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as of December 31, 2020, and of its financial performance for the financial year from January 1 to December 31, 2020, in compliance with German legally required accounting principles, and

> the accompanying combined management report as a whole provides an appropriate view of the Company‘s position. In all material respects, this combined management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of those components of the combined management report specified in the „Other Information“ section of the auditor‘s report.

Pursuant to Section 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the combined management report.

Basis for the Opinions

We conducted our audit of the annual financial statements and of the combined management report in accordance with Section 317 HGB and EU Audit Regulation No. 537/2014 (referred to subsequently as „EU Audit Regulation“) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the „Auditor‘s Responsibilities for the Audit of the Annual Financial Statements and of the Combined Management Report“ section of our auditor‘s report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2)(f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the combined management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from January 1 to December 31, 2020. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Impairment testing of investments in affiliated companies

Please refer to the explanatory notes to the financial statements (Section „B. Accounting Policies") and in the combined management report (Section „Economic Development of Vonovia SE").

The Financial Statement Risk

Vonovia SE reports shares in affiliated companies in the amount of EUR 20,596 million (79.9% of total assets) under financial assets.

Shares in affiliated companies are recognized at cost or, if they are expected to be permanently impaired, at their lower fair value. Impairment losses are reversed if the reasons for impairment cease to apply. In financial year 2020, reversals of impairment losses amounting to KEUR 230 were recorded, but no impairment losses were recognized.

Affiliated companies mostly concern property-holding companies and intermediate holding companies that hold majority investments in property-holding companies.

The key determinants of the fair value of shares are therefore the fair values of the real estate. The latter are determined for German and Austrian real estate portfolios on the basis of an internal valuation model of the Company. The fair value of all residential and commercial properties located in Germany and Austria is determined by means of a discounted cash flow (DCF) method based on homogeneous valuation units in which commercially related and comparable land and buildings are combined. In addition, an independent valuer provides an appraisal, which is used to verify the internal measurements. For properties located in Sweden, fair value is determined by independent valuers.

The measurement of investment properties is complex, incorporating numerous assumptions and data relevant to measurement (such as market rents and trend in rental rates, planned maintenance costs as well as discount and capitalization rates) that involve considerable estimation uncertainties and judgment. Even minor changes in the assumptions and data relevant to measurement can result in significant changes to the resulting fair value.

There is a risk for the financial statements that shares in affiliated companies are not recoverable.

Our Audit Approach

We evaluated Vonovia's approach in respect of impairment testing shares in affiliated companies as to whether it is suitable for identifying potential impairment losses.

In order to examine the Company's impairment testing, we focused especially on the key value drivers of the fair value of shares, the fair values of the properties.

To assess the appropriateness of the current data used for the determination of fair values of properties as well as the assumptions and other data, we expanded our audit team to include our in-house property valuation specialists. Using a partially control-based and a partially case-based audit approach, we assessed in particular the internal valuation methods of Vonovia SE, the homogeneity of defined valuation units, the accuracy and completeness of the data used for real estate portfolios as well as the appropriateness of the valuation assumptions used, such as discount and capitalization rates, market rents and trend in rental rates and the planned maintenance costs, also based on external market data.

We compared the valuations conducted by Vonovia with our own calculations for a representative sample of German and Austrian portfolio valuation units, supplemented with a risk-oriented selection of elements. To this end, we used the standardized income approach („Ertragswertverfahren") in accordance with the German Real Estate Appraisal Regulation [ImmoWertV] for the German portfolio and the market comparable method („Vergleichswertverfahren") in line with ImmoWertV for the Austrian portfolio. In addition, we also conducted on-site inspections for the German properties in the sample to evaluate their respective condition. We verified the qualifications and objectivity of the external valuers commissioned by Vonovia and assessed the valuation methods used in the appraisals, including key valuation assumptions and data, and compared their results for the German and Austrian portfolios with the valuation results of the internal valuation.

Our Observations

Vonovia's approach to identifying potential impairment losses and the valuation methods applied are consistent with the general valuation principles. The assumptions, estimates and data underlying the real estate valuation and impairment testing of shares in affiliated companies are appropriate.

Other Information

Management and/or the Supervisory Board are/is responsible for the other information. The other information comprises the following components of the combined management report, whose content was not audited:

> the non-financial statement of the Group contained in its own section of the combined management report, and

> the corporate governance statement referred to in the combined management report.

Our opinions on the annual financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

> is materially inconsistent with the annual financial statements, with the combined management report information audited for content or our knowledge obtained in the audit, or

> otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Supervisory Board for the Annual Financial Statements and the Combined Management Report

Management is responsible for the preparation of annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles. In addition, management is responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, management is responsible for the preparation of a combined management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

> Identify and assess the risks of material misstatement of the annual financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

> Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

> Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.

> Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

> Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.

> Evaluate the consistency of the combined management report with the annual financial statements, its conformity with [German] law, and the view of the Company's position it provides.

> Perform audit procedures on the prospective information presented by management in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Assurance Report in accordance with Section 317 (3b) HGB on the Electronic Reproduction of the Annual Financial Statements and the Combined Management Report Prepared for Publication Purposes

We have performed an assurance engagement in accordance with Section 317 (3b) HGB to obtain reasonable assurance about whether the electronic reproduction of the annual financial statements and the combined management report together with the reproduction of the consolidated financial statements in one file (hereinafter the "ESEF documents") contained in the file that can be downloaded by the issuer from the electronic client portal with access protection, „vonovia-2020-12-31.zip" (SHA256 hash value: 46fcc542dcc66ff0018ecc4dfede88b02f19ddcaa1717370360df3c0d3a78938) and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format („ESEF format"). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the annual financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the annual financial statements and the combined management report contained in the above-mentioned electronic file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance conclusion and our audit opinion on the accompanying annual financial statements and the accompanying combined management report for the financial year from January 1 to December 31, 2020, contained in the "Report on the Audit of the Annual Financial Statements and of the Combined Management Report" above.

We conducted our assessment of the reproduction of the annual financial statements and the combined management report contained in the above-mentioned electronic file in accordance with Section 317 (3b) HGB and the Exposure Draft of the IDW Assurance Standard: Assurance in accordance with Section 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410) and the International Standard on Assurance Engagements 3000 (Revised)]. Accordingly, our responsibilities are further described below. Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in audit firms (IDW QS 1).

The Company's management is responsible for the preparation of the ESEF documents including the electronic reproduction of the annual financial statements and the combined management report in accordance with Section 328 (1) sentence 4 item 1 HGB.

In addition, the Company's management is responsible for the internal controls they consider necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format, whether due to fraud or error.

The Company's management is also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited annual financial statements and audited combined management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of Section 328 (1) HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance engagement. We also:

> Identify and assess the risks of material non-compliance with the requirements of Section 328 (1) HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.

> Obtain an understanding of internal control relevant to the assessment of the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing a conclusion on the effectiveness of these controls.

> Evaluate the technical validity of the ESEF documents, i.e. whether the electronic file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815 on the technical specification for this electronic file.

> Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited annual financial statements and the audited combined management report.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on June 30, 2020. We were engaged by the Supervisory Board on October 13, 2020. We have been the auditor of Vonovia SE without interruption since the Company's IPO in financial year 2013.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Martin C. Bornhofen.

Düsseldorf, March 1, 2021

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Ufer	Bornhofen
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Unaudited Interim Consolidated Financial Statements of Deutsche Wohnen SE as of and for the Nine-Month Period Ended September 30, 2021 (IFRS)

CONSOLIDATED BALANCE SHEET

as of 30 September 2021

EUR m	30/09/2021	31/12/2020 adjusted	31/12/2020 as reported
Assets			
Investment properties	27,861.5	28,069.5	28,069.5
Property, plant and equipment	190.5	197.0	197.0
Intangible assets	354.2	357.7	357.7
Trade receivables	2.2	0.0	0.0
Derivative financial instruments	1.6	2.3	2.3
Other financial assets	423.5	433.5 [1]	425.0
Deferred tax assets	0.0	0.0	0.0
Non-current assets	28,833.5	**29,060.0** [1]	**29,051.5**
Land and buildings held for sale	462.9	472.2	472.2
Other inventories	12.4	12.3	12.3
Trade receivables	63.6	35.9	35.9
Income tax receivables	142.5	125.6	125.6
Derivative financial instruments	0.1	0.3	0.3
Other financial assets	1,033.9	343.6	343.6
Other non-financial assets	10.6	9.1	9.1
Cash and cash equivalents	748.0	583.3	583.3
Non-current assets held for sale	2,197.0	163.6	163.6
Current assets	4,671.0	**1,745.9**	**1,745.9**
Total assets	**33,504.5**	**30,805.9** [1]	**30,797.4**

1 Previous year's figure amended due to finalisation of purchase price allocation for the QUARTERBACK transaction

EUR m	30/09/2021	31/12/2020	31/12/2020
		adjusted	as reported
Equity and liabilities			
Equity attributable to shareholders of the parent company			
Issued share capital	369.6	359.9	359.9
Own shares	-3.4	–16.1	–16.1
Issued capital	**366.2**	**343.8**	**343.8**
Capital reserve	2,836.0	1,688.1	1,688.1
Accumulated other comprehensive income	-38.7	–47.8	–47.8
Retained earnings	11,861.5	11,416.1[1]	11,407.6
Total equity attributable to the shareholders of the parent company	**15,025.0**	**13,400.2**[1]	**13,391.7**
Non-controlling interests	473.0	441.1	441.1
Total equity	**15,498.0**	**13,841.3**[1]	**13,832.8**
Financial liabilities	5,226.2	6,444.7	6,444.7
Convertible bonds	1,183.0	1,762.8	1,762.8
Corporate bonds	0.0	2,875.5	2,875.5
Employee benefit liabilities	102.7	109.6	109.6
Other provisions	37.0	29.9	29.9
Trade payables	19.2	67.9	67.9
Derivative financial instruments	23.1	48.7	48.7
Other financial liabilities	313.4	289.9	289.9
Deferred tax liabilities	4,998.3	4,412.0	4,412.0
Total non-current liabilities	**11,902.9**	**16,041.0**	**16,041.0**
Financial liabilities	1,005.1	80.4	80.4
Convertible bonds	436.1	5.9	5.9
Corporate bonds	4,055.8	254.1	254.1
Other provisions	26.7	27.5	27.5
Trade payables	320.8	362.0	362.0
Derivative financial instruments	7.6	8.6	8.6
Tax liabilities	62.1	60.5	60.5
Other financial liabilities	98.3	108.7	108.7
Other non-financial liabilities	13.6	15.9	15.9
Financial liabilities in connection with non-current assets held for sale	77.5	0,0	0,0
Total current liabilities	**6,103.6**	**923.6**	**923.6**
Total equity and liabilities	**33,504.5**	**30,805.9**[1]	**30,797.4**

1 Previous year's figure amended due to finalisation of purchase price allocation for the QUARTERBACK transaction

CONSOLIDATED PROFIT AND LOSS STATEMENT

for the period from 1 January to 30 September 2021

EUR m	9M 2021	9M 2020	Q3 2021	Q3 2020
Income from Residential Property Management	900.5	926.9	274.6	290.1
Income from Nursing Operations	172.7	169.6	59.7	57.1
Rental income from Nursing Assets	25.3	30.0	8.4	8.4
Other income	16.4	14.8	5.3	4.8
Income from sold properties	197.3	386.3	24.6	166.4
Carrying amount of properties sold	-192.6	-379.4	-22.3	-162.6
Income from sold properties (development)	14.2	4.7	3.3	4.7
Carrying amount of properties sold (development)	-13.5	-4.7	-3.4	-4.7
Earnings from Disposals	**5.4**	**6.9**	**2.2**	**3.8**
Cost of materials and services	-388.6	-422.3	-105.1	-122.6
Staff expenses	-177.0	-173.1	-58.1	-60.0
Other operating expenses	-124.3	-80.9	-66.3	-21.4
Other operating income	59.7	39.4	15.4	14.6
	490.1	**511.3**	136.1	**174.8**
Depreciation, amortisation and impairment	-29.1	-29.2	-9.6	-10.2
Gains/losses from the fair value adjustment of investment properties	1,484.2	171.7	1,003.5	-2.5
Impairment losses on financial assets	-4.9	-5.2	-0.2	-1.7
Earnings before interest and taxes (EBIT)	**1,940.3**	**648.6**	**1,129.8**	**160.4**
Finance income	22.4	7.7	11.5	5.8
Finance expenses	-127.8	-130.4	-54.3	-39.8
Gains/losses from fair value adjustments of financial instruments	-347.2	-102.1	-64.5	-14.0
Earnings from investments accounted for using the equity method	-16.5	32.1[1]	-7.5	31.0[1]
Earnings before taxes (EBT)	**1,471.2**	**455.9**[1]	**1,015.0**	**143.4**[1]
Income taxes	-630.6	-118.0	-430.8	-22.2
Profit/loss for the period	**840.6**	**337.9**[1]	**584.2**	**121.2**[1]
Of which attributable to:				
Shareholders of the parent company	802.3	330.2[1]	560.7	118.1[1]
Non-controlling interests	38.3	7.7	23.5	3.1
	840.6	**337.9**[1]	**584.2**	**121.2**[1]
Earnings per share				
Undiluted in EUR	2.31	0.95[1]	1.61	0.34[1]
Diluted in EUR	2.31	0.95[1]	1.61	0.34[1]

1 Previous year's figure amended due to finalisation of purchase price allocation for the QUARTERBACK transaction

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from 1 January to 30 September 2021

EUR m	9M 2021	9M 2020	Q3 2021	Q3 2020
Profit/loss for the period	**840.6**	**337.9**[1]	**584.2**	**121.2**[1]
Other comprehensive income				
Items subsequently reclassified to profit or loss				
Net gain/loss from derivatives of cash flow hedges	9.7	-6.2	3.7	-0.3
Income tax effects	-1.8	1.5	-0.2	0.1
	7.9	-4.7	3.5	-0.2
Items not subsequently reclassified to profit or loss				
Net change in the fair value of equity instruments	0.0	–2.0	0.0	0.0
Income tax effects	0.0	0.0	0.0	0.0
Actuarial gains/losses on pensions and effect of asset ceilings in pension plans	6.9	-1.3	0.6	-7.8
Income tax effects	-0.6	0.2	0.6	1.7
Net gain/loss from convertible bonds	-6.9	21.8	0.0	-13.9
Income tax effects	2.0	-5.9	0.0	4.2
	1.4	12.8	1.2	-15.8
Other comprehensive income after taxes	**9.3**	**8.1**	**4.7**	**–16.0**
Total comprehensive income after taxes	**849.9**	**346.0**[1]	**588.9**	**105.2**[1]
Of which attributable to:				
Shareholders of the parent company	811.3	338.5[1]	565.3	102.1[1]
Non-controlling interests	38.6	7.5	23.6	3.1

1 Previous year's figure amended due to finalisation of purchase price allocation for the QUARTERBACK transaction

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period from 1 January to 30 September 2021

EUR m	9M 2021	9M 2020
Operating activities		
Profit/loss for the period	840.6	337.9[1]
Finance income	-22.4	-7.5
Finance expenses	127.8	132.1
Gains/losses from fair value adjustments of financial instruments	347.2	102.1
Earnings from investments accounted for using the equity method	16.5	-32.1[1]
Income taxes	630.6	118.0
Profit/loss for the period before interest and taxes	**1,940.3**	**650.5**
Non-cash income and expenses		
Fair value adjustment of investment properties	-1,484.2	-171.6
Depreciation, amortisation and impairment	29.1	29.2
Other non-cash income and expenses	-6.0	-1.2
Change in net working capital		
Change in receivables, inventories and other current assets	-24.5	-46.5
Change in operating liabilities	10.6	-62.0
Net operating cash flow	**465.3**	**398.4**
Proceeds from the disposal of land and buildings held for sale	12.2	20.9
Investments in land and buildings held for sale	-10.7	-10.0
Interest paid	-121.0	-131.2
Interest received	2.7	3.7
Taxes paid	-52.2	-45.8
Taxes received	11.5	22.2
Net cash flow from operating activities	**307.8**	**258.2**
Investing activities		
Proceeds from the disposal of investment properties and properties held for sale	92.9	502.5
Payments for investments in properties	-529.1	-826.1[2]
Payments for investments in other assets	-755.1	-527.3[2]
Proceeds from dividends from shareholdings and joint ventures	0.1	0.1
Proceeds from sale of subsidiaries less cash and cash equivalents	9.7	0.0
Payments for business combinations less cash and cash equivalents acquired	0.0	-517.1
Other proceeds of investing activities	51.3	11.1
Net cash flow from investing activities	**-1,130.2**	**-1,356.8**
Financing activities		
Proceeds of new borrowing	4.0	562.4
Loan repayments	-229.3	-484.1
Proceeds from the issue of corporate bonds	1,200.1	1,998.2
Repayment of corporate bonds	-250.0	-478.8
One-off financing payments	-21.3	-15.3
Repayment of lease liabilities	-16.1	-16.1
Proceeds for the sale of own shares	660.8	0.0
Payments for the purchase of own shares	0.0	-505.7
Proceeds of the capital increase	0.0	0.1
Other payments for financing activities	-2.2	-2.1
Dividends paid to shareholders of Deutsche Wohnen SE	-354.1	-312.6
Dividends paid shareholders of non-controlling interests	-4.8	-4.8
Net cash flow from financing activities	**987.1**	**741.2**
Net change in cash and cash equivalents	**164.7**	**-357.4**
Opening balance cash and cash equivalents	**583.3**	**685.6**
Closing balance cash and cash equivalents	**748.0**	**328.2**

1 Previous year's figure amended due to finalisation of purchase price allocation for the QUARTERBACK transaction
2 Previous year's figure amended

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as of 30 September 2021

EUR m	Share capital	Own shares	Issued capital	Capital reserve	Pensions and convertible bonds	Cash flow hedge reserve	Total other compre-hensive income	Retained earnings	Equity attributable to shareholders of the parent company	Non-con-trolling interests	Total equity
Equity as of 1 January 2020	**359.7**	**–2.6**	**357.1**	**2,555.5**	**–33.9**	**–12.4**	**–46.3**	**9,834.1**	**12,700.4**	**406.9**	**13,107.3**
Profit/loss for the period								330.2[1]	330.2[1]	7.7	337.9[1]
Other compre-hensive income					12.8	–4.5	8.3		8.3	–0.2	8.1
Total compre-hensive income					**12.8**	**–4.5**	**8.3**	**330.2[1]**	**338.5[1]**	**7.5**	**346.0[1]**
Capital increase	0.2		0.2	2.2					2.4		2.4
Purchase of treasury shares		–13.4	–13.4	–486.1					–499.6		–499.6
Contribution in connection with Management Board remuneration			0.0	–0.2					–0.2		–0.2
Change in non-controlling interests			0.0					0.2	0.2	–7.3	–7.1
Dividend			0.0					–312.6	–312.6		–312.6
Other			0.0					–2.1	–2.1		–2.1
Equity as of 30 Sept. 2020	**359.9**	**–16.1**	**343.8**	**2,071.4**	**–21.1**	**–16.9**	**–38.0**	**9,849.8[1]**	**12,227.0[1]**	**407.1**	**12,634.1[1]**
Equity as of 1 January 2021 as reported	**359.9**	**–16.1**	**343.8**	**1,688.1**	**–31.2**	**–16.6**	**–47.8**	**11,407.6**	**13,391.7**	**441.1**	**13,832.8**
Previous year's figure amended due to finalisation of purchase price allocation for the QUARTERBACK transaction			0.0					8.5	8.5		8.5
Equity as of 1 January 2021 adjusted	**359.9**	**–16.1**	**343.8**	**1,688.1**	**–31.2**	**–16.6**	**–47.8**	**11,416.1**	**13,400.2**	**441.1**	**13,841.3**
Profit/loss for the period								802.3	802.3	38.3	840.6
Other compre-hensive income					1.4	7.6	9.0		9.0	0.3	9.3
Total compre-hensive income					**1.4**	**7.6**	**9.0**	**802.3**	**811.3**	**38.6**	**849.9**
Capital increase	9.7		9.7	500.1	0.1		0.1	–0.1	509.8		509.8
Costs of capital increase without tax effects			0.0	–0.1					–0.1		–0.1
Sale of treasury shares		12.7	12.7	648.1					660.8		660.8
Contribution in connection with Management Board remuneration			0.0	–0.2					–0.2		–0.2
Change in non-con-trolling interests			0.0					–0.5	–0.5	–6.7	–7.2
Dividend			0.0					–354.1	–354.1		–354.1
Other			0.0					–2.2	–2.2		–2.2
Equity as of 30 Sept. 2021	**369.6**	**–3.4**	**366.2**	**2,836.0**	**–29.7**	**–9.0**	**–38.7**	**11,861.5**	**15,025.0**	**473.0**	**15,498.0**

1 Previous year's figure amended due to finalisation of purchase price allocation for the QUARTERBACK transaction

Notes

General information

The consolidated interim financial statements of Deutsche Wohnen SE ("Deutsche Wohnen") as at 30 September 2021 were prepared by the Management Board on 2 November 2021. Deutsche Wohnen SE is a publicly listed real estate company which is based in Germany and operates nationally. Its headquarters are located at Mecklenburgische Strasse 57, 14197 Berlin, and it is entered in the Commercial Register held at Berlin-Charlottenburg Local Court, HRB 190322 B.

The operating activities of Deutsche Wohnen SE are limited to its role as a holding company for the entities in the Group, which comprises all the key central functions. The operating subsidiaries focus on property management, disposals/acquisitions, project development, nursing care services and other property-related services.

Deutsche Wohnen SE has been majority-owned by Vonovia SE, Bochum, since 30 September 2021. Since then, Deutsche Wohnen has been included in the consolidated financial statements of Vonovia SE. There is no domination agreement with Vonovia SE as the controlling entity.

The consolidated financial statements are prepared in euros (EUR). Unless stated otherwise, all figures are rounded to the nearest thousand euros (EUR thousand) or million euros (EUR m). For arithmetical reasons, there may be rounding differences between the tables and references and the exact mathematical figures.

Principles and methods used in the consolidated financial statements

The condensed consolidated financial statements for the period from 1 January to 30 September 2021 were prepared in accordance with IAS 34 Interim Financial Reporting as applicable in the EU.

These interim financial statements do not contain all the information and details required for consolidated financial statements and should therefore be read in conjunction with the consolidated financial statements for the period ended 31 December 2020.

As a rule, the interim consolidated financial statements are based on amortised cost. This does not apply to investment properties, equity instruments, convertible bonds and derivative financial instruments in particular, which are measured at fair value.

The consolidated financial statements comprise the financial statements of Deutsche Wohnen and its subsidiaries as of 30 September 2021. The subsidiaries' financial statements are prepared using uniform accounting policies and valuation methods with the same reporting date as the parent company's financial statements.

Preparing the consolidated financial statements requires the management to make decisions, estimates and assumptions that affect the amount of income, expenses, assets and liabilities and the presentation of contingent liabilities as of the reporting date. The uncertainty resulting from these assumptions and estimates may lead to results that require significant changes to be made in future to the carrying amounts of the assets or liabilities concerned.

Deutsche Wohnen's business activities are largely unaffected by seasonal or economic factors.

Changes in the basis of consolidation

As part of the further development of new construction activities, in the first quarter of 2021, Isaria München Projektentwicklungs GmbH was sold to the QUARTERBACK Immobilien Group for EUR 12.5 million, with a profit of EUR 10.2 million. As result, all construction competencies in respect of Deutsche Wohnen Group are merged into the QUARTERBACK Immobilien Group. In the second quarter of 2021, four new companies without any business of their own, structured as GmbH – a German limited liability company – were acquired in the Residential Property Management segment. One of them was merged with another subsidiary in the third quarter. A new entity was also established as a GmbH within the SYNVIA Group in the third quarter of 2021. There were no other changes to the basis of consolidation.

Disclosure on interests in other companies

In the financial year 2020, Deutsche Wohnen acquired 40% of the unlisted QUARTERBACK Immobilien AG and 44% to 50% each of eleven unlisted special purpose entities of QUARTERBACK Immobilien AG, which were classified as joint ventures.

As final information from the QUARTERBACK Immobilien Group as of the acquisition date was not available at the time Deutsche Wohnen's consolidated financial statements were published, and the first-time recognition of the acquisition was accordingly not complete, the purchase price allocation in the consolidated financial statements for the financial year ending on 31 December 2020 contained provisional information.

Essentially, this provisional purchase price allocation was adjusted in the second quarter of the financial year 2021 by the measurement of fair values of investment properties, resulting in a corresponding increase in goodwill for QUARTERBACK Immobilien AG of approximately EUR 23.4 million. The fair values of the net asset value of the eleven special purpose entities rose to EUR 28.4 million.

The provisional accounting using the equity method of the investments in the QUARTERBACK Immobilien Group as of 31 December 2020 was adjusted based on the final purchase price calculation. As of 31 December 2020, the carrying amount of QUARTERBACK Immobilien AG is therefore EUR 239.1 million (provisional accounting using the equity method as of 31 December 2020 EUR 220.4 million) and EUR 103.8 million for the QUARTERBACK special purpose entities (provisional accounting using the equity method as of 31 December 2020 EUR 113.9 million).

Changes in accounting policies and valuation methods

The accounting policies and valuation methods used in the condensed consolidated financial statements are generally based on those used for the consolidated financial statements for the financial year 2020.

Selected notes on the consolidated balance sheet

Investment properties make up approximately 83% of the assets held by the Deutsche Wohnen Group.

Residential and commercial buildings

Effective 30 September 2021, the residential and commercial buildings recognised in the balance sheet as investment properties underwent a detailed internal valuation and were measured with their fair value. For general information on the valuation methods and parameters used, please refer to the consolidated financial statements for the period ended 31 December 2020.

Based on the data provided, Jones Lang LaSalle SE, Frankfurt/Main (JLL) completed a plausibility check of the valuation performed by Deutsche Wohnen SE as of 30 September 2021. The plausibility check took place at the level of the individual assets. The focus was on analysing the following aspects: change in value, in-place rent, value (EUR/sqm), actual multiplier and market multiplier, compared with the valuation carried out as of 31 December 2020.

Overall, JLL considers the portfolio value as of 30 September 2021 to be plausible and in line with the market.

The principles used for the valuation dated 30 September 2021 were the same as those applied on 31 December 2020 (Level 3 of the fair value hierarchy – measurement on the basis of valuation models).

The following table shows the average non-observable input factors (Level 3) used for the internal valuation of the developed land as of 30 September 2021:

30/09/2021	Core⁺ Berlin	Other	Total	Core Total	Non-Core Total	Total
In-place rent (EUR/sqm)	7.24	7.49	7.30	6.20	6.09	7.23
Market rent growth p.a. in %	1.9	2.4	2.0	1.8	1.6	2.0
Vacancy rate in %	1.8	4.3	2.5	2.5	4.4	2.5
Multiple	36.0	29.2	34.1	22.4	15.8	33.5
Discount rate in %	3.8	4.5	3.9	5.1	6.0	4.0
Capitalisation rate in %	2.7	3.4	2.8	4.0	4.9	2.9
Maintenance costs (EUR/sqm/p.a.)	13.12	13.10	13.11	13.95	16.79	13.17

An adjustment to the key valuation parameters (market rental growth during the detailed planning phase 20% lower than anticipated; 0.1% rise in the discount rate and 0.1% increase in the capitalisation rate) would result in the following non-cumulative value adjustments to the carrying amount of the residential and commercial buildings:

30/09/2021	Core⁺ Berlin	Other	Total	Core Total	Non-Core Total	Total
	%	%	%	%	%	%
Market rental growth	–4.07	–4.71	–4.22	–3.99	–3.88	–4.21
Discount rate	–0.87	–0.88	–0.87	–0.81	–1.13	–0.87
Capitalisation rate	–2.91	–2.17	–2.74	–1.78	–0.98	–2.71

Consequently, a positive change in the various valuation parameters would have positive effects in approximately the same amount.

The following inputs were utilised as of 31 December 2020:

31/12/2020	Core⁺ Berlin	Other	Total	Core Total	Non-Core Total	Total
In-place rent (EUR/sqm)	6.53	7.39	6.73	6.20	5.93	6.69
Market rent growth p.a. in %	1.1	2.6	1.5	1.8	2.1	1.5
Vacancy rate in %	1.3	3.5	1.9	2.3	3.0	1.9
Multiple	36.2	28.0	34.0	20.5	14.9	33.1
Discount rate in %	3.7	4.9	4.0	5.6	6.7	4.1
Capitalisation rate in %	2.9	3.8	3.1	4.9	5.9	3.1
Maintenance costs (EUR/sqm p.a.)	13.70	13.42	13.63	13.33	15.46	13.61

An adjustment to the key valuation parameters (market rental growth during the detailed planning phase 20% lower than anticipated; 0.1% rise in the discount rate and 0.1% increase in the capitalisation rate) resulted in the following non-cumulative value adjustments to the carrying amount of the residential and commercial buildings as of 31 December 2020:

31/12/2020	Core⁺			Core	Non-Core	Total
	Berlin	Other	Total	Total	Total	
	%	%	%	%	%	%
Market rental growth	–4.97	–7.47	–5.53	–4.90	–5.27	–5.50
Discount rate	–0.85	–0.79	–0.84	–0.72	–1.00	–0.83
Capitalisation rate	–2.79	–1.83	–2.58	–1.28	–0.84	–2.53

Residential project properties

Residential project properties were valued as of 31 December 2019, 31 December 2020 and 30 September 2021 by Jones Lang LaSalle SE using the residual value method. The key inputs for the valuation were net present value after completion and project development costs:

(EUR million)	30/09/2021	31/12/2020
Net present value after completion	4,309	4,153
Project development costs	3,241	3,108

Any adjustment of these material input factors (lowering of net present value after completion by 10%; increase in project development costs of 10%) results in the following non-cumulated fair value adjustments to the carrying amount of the project properties:

in %	30/09/2021	31/12/2020
Net present value after completion	–29.63	–30.84
Project development costs	–21.88	–22.45

Nursing facilities

Nursing facilities were valued as of 31 December 2019, 31 December 2020 and as of 30 September 2021 by W&P Immobilienberatung GmbH. The key inputs for the valuation were average market rents, discount rates and maintenance expenses:

	30/09/2021	31/12/2020
Market rent (EUR/sqm)	9.10	8.16
Discount rate in %	4.36	4.67
Maintenance costs (EUR/sqm p.a.)	11.71	11.14

Any adjustment of these material input factors (lowering of market rents by 5%; increase in the discount rate of 0.1%; increase in maintenance costs rate of 10%) will result in the following non-cumulated fair value adjustments to the carrying amount of the nursing facilities:

in %	30/09/2021	31/12/2020
Market rent	–5.0	–5.0
Discount rate	–2.0	–2.0
Maintenance costs	–1.0	–1.0

Property, plant and equipment consists mainly of properties used by the Group (IAS 16), technical equipment, operating and office equipment and right-of-use assets (IFRS 16).

Intangible assets include goodwill of EUR 319.6 million, which is allocated as follows: EUR 171.5 million (31 December 2020: EUR 171.6 million) to the Residential Property Management segment, EUR 140.0 million to the Nursing Operations segment and EUR 8.1 million to the SYNVIA Group. The goodwill of the Residential Property Management segment fell by EUR 0.1 million as a result of the disposal of Isaria München Projektentwicklungs GmbH to the QUARTERBACK Immobilien Group in the first quarter of 2021.

As of the balance sheet date, there was no indication that the goodwill in the Residential Property Management segment, the Nursing Operations segment and SYNVIA Group may be impaired.

The derivative financial instruments are interest rate hedges carried at fair value, which are not held for speculation purposes but solely to minimise the risk of changes in interest rates, i.e. cash flow risks for floating rate loans.

The increase in non-current assets held for sale mainly relates to the disposal of around 10,700 residential and 200 commercial units for around EUR 1.65 billion to municipal housing companies of Berlin in September 2021. In addition to residential portfolios sold through asset deals, three property holding companies were sold via share deals, whereby the transfer of risks and rewards is expected to take place almost exclusively in January 2022. Furthermore, assets held for sale also include other investment properties for which notarised sales contracts had been signed as of the reporting date, but title had not yet been conveyed.

The change of control due to the completed public takeover by Vonovia SE resulted in the derecognition of EUR 101.2 million in deferred tax assets on tax loss carryforwards.

Other financial assets consist largely of financial investments in associated and joint venture companies and receivables from these investees.

All other financial assets (trade receivables, other assets, and cash and cash equivalents), as well as other financial liabilities (non-current and current financial liabilities, non-current and current corporate bonds, trade payables and other liabilities) are measured at amortised cost. The amortised cost of these assets and liabilities also approximates their fair value.

In the first nine months of the financial year 2021, the Group equity rose by EUR 1,656.7 million, taking the equity ratio to around 46%. In the reporting period, 9,580,800 bearer shares were issued in exchange for convertible bonds with a nominal value of EUR 379.0 million for a consideration of around EUR 507.2 million. In addition, 48,600 bearer shares of Deutsche Wohnen SE were issued through the exercise of share options. Another approximately 47,600 bearer shares of Deutsche Wohnen SE were issued in exchange for some 20,200 bearer shares of GSW Immobilien AG. This share swap took place in accordance with the provisions of the control agreement between the two companies on the put options held by outside shareholders. In the third quarter, Deutsche Wohnen SE sold 12,708,600 treasury shares to Vonovia SE at a purchase price of EUR 660.8 million. In addition, Deutsche Wohnen’s capital increased by total comprehensive income for the first nine months of the financial year 2021 of EUR 849.9

million. Group equity fell by EUR 354.1 million due to the payment of the dividend of Deutsche Wohnen SE.

Financial liabilities were reduced by the repayment of EUR 229.3 million in loans. Some of the loan agreements included special termination rights in the event of a change of control, with a result that financial liabilities previously categorised as non-current with a nominal amount of EUR 730.8 million are presented as current in the consolidated balance sheet as of 30 September 2021. However, as of the reporting date, Deutsche Wohnen assumes on the basis of discussions with the lenders that they will not exercise their termination right.

The liabilities from convertible bonds changed due to conversions following the change of control and fluctuations in market value. Convertible bonds with a nominal value of EUR 379.0 million were converted into shares in Deutsche Wohnen SE in the reporting period. The nominal amount of outstanding convertible bonds came to EUR 1,221.0 million as of the reporting date (31 December 2020: EUR 1,600.0 million). In contrast, the market value of the convertible bonds went up due to the positive performance of the Deutsche Wohnen share. As a result, the fair value of liabilities from convertible bonds declined by EUR 149.6 million in total to EUR 1,619.1 million (31 December 2020: EUR 1,768.7 million). The equity instruments resulting from the conversion were treated in line with IFRIC 19 by recognising the difference between fair value and the carrying amount of the liabilities for the convertible bonds in the income statement.

Liabilities from corporate bonds fell by EUR 250.0 million due to scheduled redemptions and increased by EUR 1,200.1 million due to the proceeds of new issues. Proceeds of new issues in the first nine months of 2021 included the issuance of two long-term green bonds (EUR 500.0 million each), of short-term bearer bonds (EUR 100.0 million) and short-term commercial papers (EUR 100.1 million).

The terms of all the corporate bonds issued by Deutsche Wohnen SE include special termination rights in the event of a change of control, so that all the corporate bonds have been presented as current in the consolidated balance sheet as of 30 September 2021. No termination rights had been exercised as at the reporting date. In the opinion of Deutsche Wohnen, the market values of these corporate bonds, compared with the redemption amount in the event of a termination, mean that in most cases it would not make economic sense for the bondholders to exercise their termination right.

Employee benefit liabilities were valued using a weighted discount factor of 0.96% p.a. on the reporting date (reporting date 31 December 2020: 0.62% p.a.). This is derived from the yield on fixed-interest industrial loans as of the reporting date.

Selected notes on the consolidated profit and loss statement

Income from Residential Property Management is made up as follows:

	9M 2021 EUR m	9M 2020 EUR m
Potential rent	648.4	650.8
Subsidies	0.7	0.7
Vacancy losses	–14.9	–16.9
Rent reductions	–3.9	–4.2
Operating costs	269.0	295.6
Other	1.2	0.9
	900.5	**926.9**

Notes on revenue recognition pursuant to IFRS 15 and IFRS 16

The following table shows the main income streams by type and timing of revenue recognition and allocates them to the segments in which they are presented:

	9M 2021 Residential Property Management EUR m	9M 2021 Disposals EUR m	9M 2021 Nursing Operations EUR m	9M 2021 Nursing Assets EUR m	9M 2021 Other EUR m	9M 2021 Total EUR m
IFRS 16 income						
Rental income	630.8	–	45.3	24.4	4.0	704.5
Operating costs	56.1	–	–	–	–	56.1
	686.9	**0.0**	**45.3**	**24.4**	**4.0**	**760.6**
IAS 40 income						
Privatisation	–	32.3	–	–	–	32.3
Institutional sales	–	152.8	–	–	–	152.8
	0.0	**185.1**	**0.0**	**0.0**	**0.0**	**185.1**
IFRS 15 income						
Operating costs	212.9	–	–	0.9	–	213.8
Privatisation	–	12.2	–	–	–	12.2
Institutional sales	–	–	–	–	–	0.0
Income from sold properties (development) cost-to-cost	14.2	–	–	–	–	14.2
Nursing services	–	–	127.4	–	–	127.4
Other revenue from customer contracts	0.7	–	–	–	12.4	13.1
	227.8	**12.2**	**127.4**	**0.9**	**12.4**	**380.7**
Time of revenue recognition according to IFRS 15						
Goods or services satisfied at a point in time	–	12.2	–	–	9.8	22.0
Goods or services satisfied over time	227.8	–	127.4	0.9	2.6	358.7
	227.8	**12.2**	**127.4**	**0.9**	**12.4**	**380.7**

	9M 2020 Residential Property Management EUR m	9M 2020 Disposals EUR m	9M 2020 Nursing Operations EUR m	9M 2020 Nursing Assets EUR m	9M 2020 Other EUR m	9M 2020 Total EUR m
IFRS 16 income						
Rental income	630.4	–	44.4	29.1	4.3	708.2
Operating costs	54.4	–	–	–	–	54.4
	684.8	**0.0**	**44.4**	**29.1**	**4.3**	**762.6**
IAS 40 income						
Privatisation	–	29.4	–	–	–	29.4
Institutional sales	–	335.9	–	–	–	335.9
	0.0	**365.3**	**0.0**	**0.0**	**0.0**	**365.3**
IFRS 15 income						
Operating costs	241.2	–	–	0.9	–	242.1
Privatisation	–	8.7	–	–	–	8.7
Institutional sales	–	12.3	–	–	–	12.3
Income from sold properties (development) cost-to-cost	4.7	–	–	–	–	4.7
Nursing services	–	–	125.2	–	–	125.2
Other revenue from customer contracts	0.9	–	–	–	10.5	11.4
	246.8	**21.0**	**125.2**	**0.9**	**10.5**	**404.4**
Time of revenue recognition according to IFRS 15						
Goods or services satisfied at a point in time	–	21.0	–	–	8.6	29.6
Goods or services satisfied over time	246.8	–	125.2	0.9	1.9	374.8
	246.8	**21.0**	**125.2**	**0.9**	**10.5**	**404.4**

Income from Nursing Operations is made up as follows:

	9M 2021 EUR m	9M 2020 EUR m
Income from nursing services	127.4	125.2
Rental income from nursing facilities	45.3	44.4
	172.7	**169.6**

Earnings from disposals comprise the income from sold properties and carrying amounts of properties sold and land and buildings held for sale.

The Group's cost of materials and services is made up as follows:

	9M 2021 EUR m	9M 2020 EUR m
Operating costs	–266.7	–293.9
Maintenance	–91.9	–95.1
Other	–30.0	–33.3
	–388.6	**–422.3**

Staff expenses comprise the following:

	9M 2021 EUR m	9M 2020 EUR m
Wages and salaries	–147.3	–144.1
Social security contributions, retirement and other benefits	–29.7	–29.0
	–177.0	**–173.1**

Finance expenses are made up as follows:

	9M 2021 EUR m	9M 2020 EUR m
Current interest	–110.2	–105.0
Accrued interest on liabilities and pensions	–16.8	–28.1
Capitalised interest expenses	11.0	6.0
Non-recurring expenses in connection with financing	–11.8	–3.3
	–127.8	**–130.4**

Notes on the statement of cash flows

Cash and cash equivalents are made up of cash in hand and bank balances.

Notes on segment reporting

The following table shows segment income and segment earnings for the Deutsche Wohnen Group:

	External revenue		Internal revenue		Total revenue		Segment earnings	
	9M 2021	9M 2020	9M 2021	9M 2020	9M 2021	9M 2020	9M 2021	9M 2020
	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m
Segments								
Residential Property Management	902.9	929.5	3.2	3.2[1]	906.1	932.7[1]	560.8	553.9
Disposals	197.3	386.3	4.2	8.5	201.5	394.8	0.8	–1.6
Nursing Operations	188.0	177.0	0.0	0.0	188.0	177.0	38.4	34.1
Nursing Assets	25.9	30.1	21.8	19.7	47.7	49.8	23.3	27.9
Reconciliation with consolidated financial statements								
Central functions and other operating activities	0.6	0.1	90.3	95.4	90.9	95.5	–138.1	–106.3
Consolidation and other reconciliation	0.0	0.0	–119.5	–126.8[1]	–119.5	–126.8[1]	0.0	0.0
	1,314.7	**1,523.0**	**0.0**	**0.0**	**1,314.7**	**1,523.0**	**485.2**	**508.0**

1 Previous year’s figure amended

The following table shows the reconciliation of the segment earnings with the consolidated profit and loss statement:

	9M 2021 Group	9M 2021 Residential Property Management	9M 2021 Disposals	9M 2021 Nursing Operations	9M 2021 Nursing Assets	9M 2021 Other
	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m
Income Residential Property Management	900.5	900.5	0.0	0.0	0.0	0.0
Income from Nursing Operations	172.7	0.0	0.0	172.7	0.0	0.0
Rental income from Nursing Assets	25.3	0.0	0.0	0.0	25.3	0.0
Other income	16.4	0.0	0.0	0.0	0.0	16.4
Income from sold properties	197.3	0.0	197.3	0.0	0.0	0.0
Carrying amount of properties sold	–192.6	0.0	–192.6	0.0	0.0	0.0
Income from the sold properties (development)	14.2	14.2	0.0	0.0	0.0	0.0
Carrying amount of properties sold (development)	–13.5	–13.5	0.0	0.0	0.0	0.0
Earnings from Disposals	**5.4**	**0.7**	**4.7**	**0.0**	**0.0**	**0.0**
Cost of materials and services	–388.6	–344.7	–2.4	–34.1	–2.3	–5.1
Staff expenses	–177.0	–11.5	–1.5	–106.8	0.0	–57.2
Other operating expenses	–124.3	–3.2	0.0	–10.7	0.0	–110.4
Other operating income	59.7	23.6	0.0	17.3	0.6	18.2
	490.1	**565.4**	**0.8**	**38.4**	**23.6**	**–138.1**
Depreciation, amortisation and impairment	–29.1	0.0	0.0	0.0	0.0	–29.1
Gains/losses from the fair value adjustment of investment properties	1,484.2	0.0	0.0	0.0	0.0	1,484.2
Impairment losses on financial assets	–4.9	–4.6	0.0	0.0	–0.3	0.0
Earnings before interest and taxes (EBIT)/segment earnings	**1,940.3**	**560.8**	**0.8**	**38.4**	**23.3**	**1,317.0**
Finance income	22.4					
Finance expenses	–127.8					
Net income from fair value adjustment to financial instruments	–347.2					
Earnings from investments accounted for using the equity method	–16.5					
Earnings before taxes (EBT)	**1,471.2**					
Income taxes	–630.6					
Profit/loss for the period	**840.6**					

	9M 2020 Group EUR m	9M 2020 Residential Property Management EUR m	9M 2020 Disposals EUR m	9M 2020 Nursing Operations EUR m	9M 2020 Nursing Assets EUR m	9M 2020 Other EUR m
Income from Residential Property Management	926.9	926.9	0.0	0.0	0.0	0.0
Income from Nursing Operations	169.6	0.0	0.0	169.6	0.0	0.0
Rental income from Nursing Assets	30.0	0.0	0.0	0.0	30.0	0.0
Other income	14.8	0.0	0.0	0.0	0.0	14.8
Income from the sold properties	386.3	0.0	386.3	0.0	0.0	0.0
Carrying amount of properties sold	–379.4	0.0	–379.4	0.0	0.0	0.0
Income from sold properties (development)	4.7	4.7	0.0	0.0	0.0	0.0
Carrying amount of properties sold	–4.7	–4.7	0.0	0.0	0.0	0.0
Earnings from Disposals	**6.9**	**0.0**	**6.9**	**0.0**	**0.0**	**0.0**
Cost of materials and services	–422.3	–374.7	–7.5	–30.6	–2.0	–7.5
Staff expenses	–173.1	–11.7	–1.0	–105.3	0.0	–55.1
Other operating expenses	–80.9	–3.5	0.0	–8.5	0.0	–68.9
Other operating income	39.4	21.9	0.0	8.9	0.1	8.5
	511.3	**558.9**	**–1.6**	**34.1**	**28.1**	**–108.2**
Depreciation, amortisation and impairment	–29.2	0.0	0.0	0.0	0.0	–29.2
Gains/losses from the fair value adjustment of investment properties	171.7	0.0	0.0	0.0	0.0	171.7
Impairment losses on financial assets	–5.2	–5.0	0.0	0.0	–0.2	0.0
Earnings before interest and taxes (EBIT)/segment earnings	**648.6**	**553.9**	**–1.6**	**34.1**	**27.9**	**34.3**
Finance income	7.7					
Finance expenses	–130.4					
Net income from fair value adjustment to financial instruments	–102.1					
Earnings from investments accounted for using the equity method	–32.1[1]					
Earnings before taxes (EBT)	**455.9**[1]					
Income taxes	–118.0					
Profit/loss for the period	**337.9**[1]					

1 Previous year’s figure adjusted due to finalisation of purchase price allocation for the QUARTERBACK transaction

Other disclosures

Related parties

Deutsche Wohnen SE has been majority-owned by Vonovia SE, Bochum, since 30 September 2021. There are no material business transactions between the Vonovia Group and the Deutsche Wohnen Group as of 30 September 2021. Furthermore, there are no other significant changes to related-party transactions compared with the disclosures made as of 31 December 2020.

There are loans receivables from associated and joint venture companies of EUR 950.4 million. These are primarily standard market loan receivables to the QUARTERBACK Immobilien Group (EUR 926.9 million), which are repayable within a maximum of twelve months of the reporting date. QUARTERBACK Immobilien Group was also given a guarantee of EUR 12.3 million. In addition, in the first quarter of 2021, Isaria München Projektentwicklungs GmbH was sold to the QUARTERBACK Immobilien Group for EUR 12.5 million.

Financial instruments

The table below shows the categorisation of financial instruments into the corresponding classes as per IFRS 7.6 and the allocation to measurement categories as defined in IFRS 9:

30/09/2021

EUR m	IFRS 9 measure-ment category	Measured at amortised cost		Measured at fair value	Value recognised in the balance sheet in as per IFRS 16/ IAS 28	Total balance sheet items
		Carrying amount	Fair value	Carrying amount	Carrying amount	Carrying amount
Trade receivables	AC	65.9	65.9	0.0	–	65.9
Other assets						
Equity instruments	FVOCI	–	–	0.4	–	0.4
Equity instruments	FVtPL	–	–	33.5	–	33.5
Shares in associates and joint ventures	n/a	–	–	–	359.5	359.5
Loans receivable	AC	0.7	0.7	–	–	0.7
Lease receivables	n/a	–	–	–	26.9	26.9
Other financial assets	AC	1,036.3	1,036.3	–	–	1,036.3
Derivative financial instruments						
Interest rate hedges (no hedge accounting)	FVtPL	–	–	1.8	–	1.8
Cash flow hedges (interest rate swaps)	n/a	–	–	–	–	–
Cash and cash equivalents	AC	748.0	748.0	–	–	748.0
Total financial assets		**1,850.9**	**1,850.9**	**35.7**	**386.4**	**2,273.0**
Financial liabilities	AC	6,308.8	6,529.6	–	–	6,308.8
Convertible bonds	FVtPL	–	–	1,619.1	–	1,619.1
Corporate bonds	AC	4,055.8	4,326.4	–	–	4,055.8
Trade payables	AC	340.0	340.0	–	–	340.0
Other liabilities						
Lease liabilities	n/a	–	–	–	132.2	132.2
Other financial liabilities	AC	279.4	279.4	–	–	279.4
Derivative financial instruments						
Interest rate hedges (no hedge accounting)	FVtPL	–	–	16.0	–	16.0
Cash flow hedges (interest rate swaps)	n/a	–	–	14.7	–	14.7
Total financial liabilities		**10,984.0**	**11,475.4**	**1,649.8**	**132.2**	**12,766.0**

AC – Financial assets and financial liabilities measured at amortised cost (Amortised Cost)
FVtPL – Fair Value through Profit and Loss
FVOCI – Fair Value through Other Comprehensive Income

31/12/2020

EUR m	IFRS 9 measurement category	Measured at amortised cost		Measured at fair value	Value recognised in the balance sheet in as per IFRS 16/ IAS 28	Total balance sheet items
		Carrying amount	Fair value	Carrying amount	Carrying amount	Carrying amount
Trade receivables	AC	35.9	35.9	–	–	35.9
Other assets						
Equity instruments	FVOCI	–	–	0.5	–	0.5
Equity instruments	FVtPL	–	–	22.6	–	22.6
Shares in associates and joint ventures	n/a	–	–	–	374.3	374.3[1]
Loans receivable	AC	0.8	0.8	–	–	0.8
Lease receivables	n/a	–	–	–	28.7	28.7
Other financial assets	AC	350.2	350.2	–	–	350.2
Derivative financial instruments						
Interest rate hedges (no hedge accounting)	FVtPL	–	–	2.6	–	2.6
Cash flow hedges (interest rate swaps)	n/a	–	–	–	–	–
Cash and cash equivalents	AC	583.3	583.3	–	–	583.3
Total financial assets		**970.2**	**970.2**	**25.7**	**403.0** [1]	**1,398.9**[1]
Financial liabilities	AC	6,525.1	6,798.7	–	–	6,525.1
Convertible bonds	FVtPL	–	–	1,768.7	–	1,768.7
Corporate bond	AC	3,129.6	3,486.5	–	–	3,129.6
Trade payables	AC	429.9	429.9	–	–	429.9
Other liabilities						
Lease liabilities	n/a	–	–	–	148.7	148.7
Other financial liabilities	AC	249.9	249.9	–	–	249.9
Derivative financial instruments						
Interest rate hedges (no hedge accounting)	FVtPL	–	–	32.5	–	32.5
Cash flow hedges (interest rate swaps)	n/a	–	–	24.8	–	24.8
Total financial liabilities		**10,334.5**	**10,965.0**	**1,826.0**	**148.7**	**12,309.2**

1 Previous year's figure amended due to finalisation of purchase price allocation for the QUARTERBACK transaction

AC – Financial assets and financial liabilities measured at amortised cost (Amortised Cost)
FVtPL – Fair Value through Profit and Loss
FVOCI – Fair Value through Other Comprehensive Income

Please also refer to the disclosures as per IFRS 7 and IFRS 9 in the consolidated financial statements for the period ended 31 December 2020.

Events after the balance sheet date

After the reporting date and before 2 November 2021 Deutsche Wohnen SE received conversion declarations for nominal EUR 323.1 million of the two outstanding convertible bonds. After the reporting date and before 2 November 2021 Deutsche Wohnen SE issued 30,763,000 bearer shares in the course of converting convertible bonds.

Convertible bonds	As of: 30/09/2021 Nominal EUR m	As of: 02/11/2021 Nominal EUR m
Conversion declaration and shares issued	379.0	1,596.9
Conversion declaration but no shares yet issued	894.8	0.0
Unconverted, not terminated	326.2	3.1
Total	**1,600.0**	**1,600.0**
	units	units
Number of shares issued	9,580,782	40,344,203

The rating agency Standard & Poor's adjusted its long-term issuer rating for Deutsche Wohnen SE on 25 October 2021 from A- with outlook negative to BBB+ with outlook stable. This occurred following the successful completion of the voluntary takeover offer by Vonovia SE. Integration with the Vonovia group of companies meant that the rating of Deutsche Wohnen SE was aligned with that of Vonovia SE. Standard & Poor's gives Deutsche Wohnen SE a stand-alone credit profile of a-.

Due to the majority takeover by Vonovia SE, Deutsche Wohnen SE was excluded from the German benchmark index DAX with effect from 29 October 2021.

We are not aware of any other material events after the reporting date.

Berlin, 2 November 2021

Deutsche Wohnen SE
Management Board

Michael Zahn Chairman of the Management Board	Philip Grosse Management Board	Henrik Thomsen Management Board	Lars Urbansky Management Board

Audited Consolidated Financial Statements of Deutsche Wohnen SE as of and for the financial year ended December 31, 2020 (IFRS)

CONSOLIDATED BALANCE SHEET

as of 31 December 2020

EUR m	Notes	31/12/2020	31/12/2019
Assets			
Investment properties	D.1	28,069.5	25,433.3
Property, plant and equipment	D.3	197.0	191.5
Intangible assets	D.4	357.7	188.9
Derivative financial instruments	D.7	2.3	1.1
Other financial assets	D.8	425.0	61.8
Deferred tax assets	D.17	0.0	0.1
Non-current assets		**29,051.5**	**25,876.7**
Land and buildings held for sale	D.5	472.2	468.9
Other inventories	C.8	12.3	6.5
Trade receivables	D.6	35.9	25.0
Income tax receivables		125.6	112.2
Derivative financial instruments	D.7	0.3	0.2
Other financial assets	D.8	343.6	94.0
Other non-financial assets	C.6	9.1	11.4
Cash and cash equivalents	D.9	583.3	685.6
Non-current assets held for sale	C.10	163.6	571.2
Current assets		**1,745.9**	**1,975.0**
Total assets		**30,797.4**	**27,851.7**

EUR m	Notes	31/12/2020	31/12/2019
Equity and liabilities			
Equity attributable to shareholders of the parent company			
Issued share capital	D.10	359.9	359.7
Own shares	D.10	-16.1	-2.6
Issued capital		**343.8**	**357.1**
Capital reserve	D.10	1,688.1	2,555.5
Other reserves		-47.8	-46.3
Retained earnings	D.10	11,407.6	9,834.1
Total equity attributable to the shareholders of the parent company		**13,391.7**	**12,700.4**
Non-controlling interests	D.10	441.1	406.9
Total equity		**13,832.8**	**13,107.3**
Financial liabilities	D.11	6,444.7	6,154.4
Convertible bonds	D.12	1,762.8	1,676.9
Corporate bonds	D.12	2,875.5	1,518.6
Employee benefit liabilities	D.13	109.6	107.2
Other provisions	D.14	29.9	44.4
Trade payables		67.9	33.5[1]
Derivative financial instruments	D.7	48.7	43.6
Other financial liabilities	D.15	289.9	302.5
Deferred tax liabilities	D.17	4,412.0	3,713.8
Total non-current liabilities		**16,041.0**	**13,594.9[1]**
Financial liabilities	D.11	80.4	173.3
Convertible bonds	D.12	5.9	5.9
Corporate bonds	D.12	254.1	495.5
Other provisions	D.14	27.5	7.6
Trade payables		362.0	267.0[1]
Derivative financial instruments	D.7	8.6	8.5
Tax liabilities	D.16	60.5	26.2
Other financial liabilities	D.15	108.7	141.1
Other non-financial liabilities		15.9	24.4
Total current liabilities		**923.6**	**1,149.5[1]**
Total equity and liabilities		**30,797.4**	**27,851.7**

1 Previous year's figure amended

CONSOLIDATED PROFIT AND LOSS STATEMENT

for the period from 1 January to 31 December 2020

EUR m	Notes	2020	2019
Income from Residential Property Management	E.1/4	1,197.8	1,191.7
Income from Nursing Operations	E.2/4	226.1	222.9
Rental income from Nursing Assets	E.4	38.2	45.5
Other income		21.7	18.6
Income from sold properties		1,251.6	767.3
Carrying amount of properties sold		–1,221.0	–569.6
Income from sold properties (development)		6.8	0.0
Carrying amount of properties sold (development)	E.3/4	–7.3	0.0
Earnings from Disposals		**30.1**	**197.7**
Cost of materials and services	E.5	–540.6	–530.4
Staff expenses	E.6	–231.8	–211.6
Other operating expenses	E.7	–104.0	–154.7
Other operating income	E.8	56.3	96.5
		693.8	**876.2**
Depreciation, amortisation and impairment	D.3/4	–40.0	–42.9
Gains/losses from the fair value adjustment of Investment properties	D.1	1,856.4	1,401.1[1]
Impairment losses on financial assets		–7.1	–3.1
Earnings before interest and taxes (EBIT)		**2,503.1**	**2,231.3**[1]
Financial income		10.3	10.9
Financial expenses	E.10	–171.7	–168.9[1]
Net income from fair value adjustment to financial instruments	D.7/12/E.11	–106.9	28.5
Earnings from investments accounted for using the equity method	B.3, E.12	8.9	2.8
Earnings before taxes (EBT)		**2,243.7**	**2,104.6**
Income taxes	E.13	–699.1	–503.7
Profit/loss for the period		**1,544.6**	**1,600.9**
Of which attributable to:			
Shareholders of the parent company		1,502.7	1,529.5
Non-controlling interests		41.9	71.4
		1,544.6	**1,600.9**
Earnings per share			
Undiluted in EUR	H	4.32	4.27
Diluted in EUR	H	4.13	3.82

1 Previous year’s figure changed due to exercise of IAS 23 option

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from 1 January to 31 December 2020

EUR m	Notes	2020	2019
Profit/loss for the period		**1,544.6**	**1,600.9**
Other comprehensive income			
Items subsequently reclassified to profit or loss			
Net gain/loss from derivatives of cash flow hedges	D.7	–5.9	–12.6
Income tax effects	D.17	1.5	3.1
		–4.4	**–9.5**
Items not subsequently reclassified to profit or loss			
Net change in the fair value of equity instruments	C.8	–2.0	–1.5
Income tax effects	C.18	0.0	0.0
Actuarial gains/losses on pensions and impact of caps for assets in pension plans	D.13	–3.4	–15.1
Income tax effects	C.18	0.2	3.3
Net gains/losses from convertible bonds	C.11	10.3	–43.6
Income tax effects	C.18	–2.4	12.5
		2.7	**–44.4**
Other comprehensive income after taxes		**–1.7**	**–53.9**
Total comprehensive income after taxes		**1,542.9**	**1,547.0**
Of which attributable to:			
Shareholders of the parent company		1,501.2	1,476.1
Non-controlling interests		41.7	70.9

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period from 1 January to 31 December 2020

EUR m	Notes	2020	2019
Operating activities			
Profit/loss for the period		1,544.6	1,600.9
Financial income		–10.3	–10.9
Finance expenses		171.7	168.9[1]
Gains/losses from fair value adjustments of financial instruments	D.7/12, E.11	106.9	–28.5
Earnings from investments accounted for using the equity method	B.3/E.12	–8.9	–2.8
Income taxes		699.1	503.7
Profit/loss for the period before interest and taxes		**2,503.1**	**2,231.3[1]**
Non-cash income and expenses			
Fair value adjustment of investment properties	D.1	–1,856.4	–1,401.1[1]
Depreciation, amortisation and impairment	D.3/4	40.0	42.9
Other non-cash income and expenses	G	–4.4	–146.1
Changes in net current assets			
Changes in receivables, inventories and other current assets		–11.2	–108.4
Changes in operating liabilities		–33.1	0.6
Net operating cash flow		**638.0**	**619.2**
Proceeds from the disposal of land and buildings held for sale	G	55.6	17.5
Investments in land and buildings held for sale		–6.9	–4.2
Interest paid		–155.4	–142.6[1]
Interest received		6.4	10.9
Taxes paid		–56.0	–70.6
Taxes received		22.8	29.9
Net cash flow from operating activities		**504.5**	**460.1[1]**
Investing activities			
Proceeds from the disposal of investment properties and properties held for sale	G	1,266.0	777.7
Payments for investments in properties		–1,069.0	–1,348.7[1]
Payments for investments in other assets		–644.5	–27.4[2]
Proceeds from dividends from shareholdings and joint ventures		0.1	0.1
Payments for business combinations less cash and cash equivalents acquired		–517.1	–83.2
Other proceeds of investing activities		64.9	2.2
Payments to limited partners in funds		0.0	–0.5
Net cash flow from investing activities		**–899.6**	**–679.8[1]**

1 Previous year's figure changed due to exercise of IAS 23 option
2 Previous year's figure amended

EUR m	Notes	2020	2019
Financing activities			
Proceeds of new borrowing	D.11	571.5	508.1
Loan repayments	D.11	–533.0	–380.5
Proceeds from the issue of corporate bonds	D.12	1,998.2	1,159.5
Repayment of corporate bonds	D.12	–873.8	–341.2
One-off financing payments		–21.9	–19.5
Repayment of lease liabilities		–21.8	–20.6
Payments for the purchase and repayment of non-controlling interests		0.0	–7.4
Payments for the purchase of own shares	D.10	–507.0	–93.3
Proceeds of the capital increase	D.10	0.1	0.1
Other payments from financing activities		–2.1	–1.8
Costs of the capital increase	D.10	0.0	–0.4
Dividend paid to shareholders of Deutsche Wohnen SE	H	–312.6	–225.7
Dividends paid to shareholders of non-controlling interests		–4.8	–4.8
Net cash flow from financing activities		**292.8**	**572.5**
Net change in cash and cash equivalents		**–102.3**	**352.8**
Opening balance cash and cash equivalents		**685.6**	**332.8**
Closing balance cash and cash equivalents		**583.3**	**685.6**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as of 31 December 2020

EUR m	Share capital	Own shares	Issued capital	Capital reserve	Pensions and convertible bonds
Equity as of 1 January 2019	**357.0**	**0.0**	**357.0**	**2,918.1**	**10.5**
Profit/loss for the period					
Other comprehensive income					–44.4
Total comprehensive income					**–44.4**
Capital increase	2.7		2.7	83.0	
Cost of capital increase, less tax effect			0.0	–0.3	
Transfer from capital reserve		–2.6	–2.6	–96.8	
Contribution in connection with Management Board remuneration			0.0	–348.5	
Change in non-controlling interests			0.0		
Dividend			0.0		
Other			0.0		
Equity as of 31 December 2019	**359.7**	**–2.6**	**357.1**	**2,555.5**	**–33.9**
Equity as of 1 January 2020	**359.7**	**–2.6**	**357.1**	**2,555.5**	**–33.9**
Profit/loss for the period					
Other comprehensive income					2.7
Total comprehensive income					**2.7**
Capital increase	0.2		0.2	2.4	
Cost of capital increase, less tax effect		–13.5	–13.5	–484.4	
Acquisition of own shares			0.0	–385.3	
Transfer from capital reserve			0.0	–0.1	
Change in non-controlling interests			0.0		
Dividend			0.0		
Other			0.0		
Equity as of 31 December 2020	**359.9**	**–16.1**	**343.8**	**1,688.1**	**–31.2**

Cash flow hedge reserve	Total other comprehensive income	Retained earnings equity	Equity attributable to shareholders of the parent equity	Non-controlling interests	Total equity
−3.4	**7.1**	**8,276.9**	**11,559.1**	**349.0**	**11,908.1**
		1,529.5	1,529.5	71.4	1,600.9
−9.0	−53.4		−53.4	−0.5	−53.9
−9.0	**−53.4**	**1,529.5**	**1,476.1**	**70.9**	**1,547.0**
			85.7		85.7
			−0.3		−0.3
			−99.4		−99.4
		348.5	0.0		0.0
		−0.1	−0.1	−13.0	−13.1
		−310.6	−310.6		−310.6
		−10.1	−10.1		−10.1
−12.4	**−46.3**	**9,834.1**	**12,700.4**	**406.9**	**13,107.3**
−12.4	**−46.3**	**9,834.1**	**12,700.4**	**406.9**	**13,107.3**
		1,502.7	1,502.7	41.9	1,544.6
−4.2	−1.5		−1.5	−0.2	−1.7
−4.2	**−1.5**	**1,502.7**	**1,501.2**	**41.7**	**1,542.9**
			2.6		2.6
			−497.9		−497.9
		385.3	0.0		0.0
			−0.1		−0.1
		0.2	0.2	−7.5	−7.3
		−312.6	−312.6		−312.6
		−2.1	−2.1		−2.1
−16.6	**−47.8**	**11,407.6**	**13,391.7**	**441.1**	**13,832.8**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 31 December 2020

A General remarks on the consolidated financial statements of Deutsche Wohnen SE

1 The Deutsche Wohnen Group

The consolidated financial statements of Deutsche Wohnen SE ("Deutsche Wohnen") as at 31 December 2020 were prepared by the Management Board on 19 March 2021. The Supervisory Board is scheduled to approve the consolidated financial statements at its meeting on 22 March 2021. Deutsche Wohnen SE is a publicly listed property company which is based in Germany and operates nationally. Its headquarters are located at Mecklenburgische Straße 57, 14197 Berlin, and it is entered in the Commercial Register held at Berlin-Charlottenburg Local Court, HRB 190322 B.

The operating activities of Deutsche Wohnen SE are limited to its role as a holding company for the entities in the Group, which comprises all the key central functions. The operating subsidiaries focus on property management, disposals/acquisitions, project development, nursing care services and property-related services.

The consolidated financial statements are presented in EUR. Unless stated otherwise, all figures are rounded to the nearest thousand euros (EUR thousand) or million euros (EUR m). For arithmetical reasons, there may be rounding differences between the tables and references and the exact mathematical figures.

2 Consolidated financial statements

The consolidated financial statements of Deutsche Wohnen and its subsidiaries were prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union (EU) and the commercial law provisions applicable in a supplementary capacity pursuant to section 315e(1) of the German Commercial Code [Handelsgesetzbuch – HGB].

The consolidated financial statements have been prepared on an amortised cost basis. This does not apply to investment properties, equity instruments, convertible bonds and derivative financial instruments in particular, which are measured at fair value.

The consolidated financial statements comprise the financial statements of Deutsche Wohnen and its subsidiaries as of 31 December of each financial year. The subsidiaries' financial statements are prepared using uniform accounting policies and valuation methods with the same reporting date as the parent company's financial statements.

3 Application of IFRS in the financial year

The accounting methods used for the consolidated financial statements as of 31 December 2019 were applied unchanged, with the exception of new and amended standards and interpretations and a change in how the option for borrowing costs was exercised in the reporting year.

The Deutsche Wohnen Group has revised the structure of the consolidated income statement to reflect its broader range of business activities. It is structured in line with IAS 1.102 "Total cost method". The previous year's figures have been adjusted accordingly.

Because the scope of project work for portfolio properties is being expanded, the Deutsche Wohnen Group has exercised the option in IAS 23.4 of capitalising borrowing costs for qualifying assets measured at fair value differently as from 2020 and has adjusted the prior years accordingly. In the current financial year, interest expenses of EUR 8.8 million (previous year: EUR 5.6 million), were capitalised. The contribution from the fair value measurement of investment properties is correspondingly lower. This change has no effect on earnings for the period or equity, since the capitalisation of borrowing costs has no impact on fair value.

First-time application of new standards in financial year 2020:

In March 2018 the IASB published a revised version of the Conceptual Framework. The revised Conceptual Framework extends in particular to a new chapter on the measurement of assets and liabilities, guidelines for presenting earnings, revised definitions of assets and liabilities, and clarification of the accountability function and the precautionary principle in the context of the objective of IFRS financial reporting. References to the Conceptual Framework in various standards were adjusted in conjunction with the amendments to the Conceptual Framework. There was no material impact on the consolidated financial statements of Deutsche Wohnen.

In October 2018 the IASB published an amendment to IFRS 3 Business Combinations concerning the definition of a business. In it the IASB clarifies the three elements of a business. The new standard also includes an optional "concentration test", intended to simplify the identification of a business. There was no material impact on the consolidated financial statements of Deutsche Wohnen.

In October 2018 the IASB published amendments to the definition of materiality in financial statements. The amendments, in combination with additional notes on the application of IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", are particularly intended to make it easier for preparers of IFRS financial statements to assess materiality. The amendments also ensure that the definition of materiality is harmonised across all IFRS. There was no material impact on the consolidated financial statements of Deutsche Wohnen.

In September 2019 the IASB published proposals for amendments to IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 9 "Financial Instruments" concerning uncertainties in connection with the first phase of the IBOR reform. The amendments relate to certain hedge accounting standards and are intended to ensure that current hedge accounting can be continued. There was no material impact on the consolidated financial statements of Deutsche Wohnen.

In May 2020 the IASB published an amendment to IFRS 16 "Leases". These amendments give lessees a temporary exemption from assessing whether a COVID-19-related rent concession is a lease modification. There was no material impact on the consolidated financial statements of Deutsche Wohnen.

Otherwise there were no changes from IFRS or IFRIC applicable for the first time in 2020 that had a material impact on the consolidated financial statements of Deutsche Wohnen.

Standards that are not yet mandatory:

published IFRS standards that have been endorsed by the EU but are not yet mandatory are shown below:

In August 2020 the IASB published proposals for amendments to IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 9 "Financial Instruments" concerning uncertainties in connection with the second phase of the IBOR reform. The amendments supplement the requirements of the first phase of the project and address matters that could affect financial reporting after the reform of reference interest rates, including their replacement by alternative reference interest rates. The amendments are applicable from 1 January 2021. Deutsche Wohnen is currently analysing their potential impact.

The following IFRS standards have not yet been incorporated into EU law and as such do not yet apply:

In May 2020, in conjunction with the revised Conceptual Framework, the IASB published amendments to IFRS 3 "Business Combinations" adapting references to the Conceptual Framework 2018. No changes were made to the accounting rules for business combinations. The amendments are planned to apply from 1 January 2022. Deutsche Wohnen does not expect any material impact from the amendment.

In May 2020 the IASB published a clarification to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" relating to the cost of fulfilling an onerous contract. It stipulates that the cost of fulfilling a contract comprises costs that would not be incurred without the contract, as well as other costs directly attributable to the contract. The amendments are planned to apply from 1 January 2022. Deutsche Wohnen does not expect any material impact from the amendment.

In May 2020 the IASB published amendments to IAS 16 "Property, Plant and Equipment" relating to revenues from an asset that is not yet ready for operation. The sales proceeds for items produced in test runs and their production costs are to be recognised through profit or loss in accordance with the relevant standards and not recognised as part of the costs of the asset. The amendments are planned to apply from 1 January 2022. This is not expected to have any effect on Deutsche Wohnen.

The IASB also published Annual Improvements to IFRS Standards 2018 – 2020 Cycle in May 2020. The improvements consist of clarifications for the standards IFRS 1 "First-time Application of IFRS", IFRS 9 "Financial Instruments", IFRS 16 "Leases" and IAS 41 "Agriculture". The amendments are planned to apply from 1 January 2022. Deutsche Wohnen is currently analysing their potential impact.

In January 2020 the IASB published amendments to IAS 1 "Presentation of Financial Statements". They comprise clarifications of the criteria for classifying liabilities as current or non-current, as well as supplementary guidance and comments. The amendments are planned to apply from 1 January 2023. Deutsche Wohnen is currently analysing their potential impact.

The IASB and the IFRS IC did not publish any further pronouncements or amendments to standards in the reporting year or up to the approval of the consolidated financial statements that could have a material impact on the consolidated financial statements.

4 Key judgements, estimates and assumptions

Preparing the consolidated financial statements requires the management to make judgements, estimates and assumptions that affect the amount of income, expenses, assets and liabilities and the presentation of contingent liabilities as of the reporting date. The uncertainty resulting from these assumptions and estimates may lead to results that require significant changes to be made in future to the carrying amounts or the presentation of the assets or liabilities concerned.

Judgements

Company management made the following judgements with a material effect on the amounts in the financial statements when applying accounting policies and valuation methods. To the extent that disclosures on judgements are required by individual standards, a note to the corresponding item has been made.

Operating lease commitments – Group as lessor

The Group has signed leases to let its investment properties. An analysis of the contract terms shows that substantially all the risks and rewards of ownership of these properties remain with the Group, which therefore accounts for these contracts as operating leases.

Classification of nursing assets as investment properties.
In its Nursing and Assisted Living segment Deutsche Wohnen's business model is to hold nursing assets to generate rental income and/or for capital appreciation. The decision to classify the nursing properties which are managed by its KATHARINENHOF and PFLEGEN & WOHNEN HAMBURG as investment properties was largely based on the analysis of two criteria: on the one hand, fluctuations in operating cash flows from nursing services (excluding the rents for the related residential units or nursing beds) are examined and, on the other hand, the earnings from the provision of nursing care services are set against the rental income from the residential units in the nursing properties as a means of assessing the significance of the nursing care services for the material financial management parameter FFO I. Due to the relatively minor fluctuations in the operating cash flows from the aforementioned provision of nursing care services and the negligible size of the contribution of these services towards the amount of the FFO I in comparison with the rental income, these properties are reported on the balance sheet as investment properties.

Estimates and assumptions

The main forward-looking assumptions and other key sources of estimation uncertainty as of the reporting date are explained below if they entail a considerable risk that the carrying amounts of assets and liabilities will have to be materially restated within the next financial year.

The fair value of investment properties and properties held for sale
The fair value of the residential and commercial properties held for investment purposes was determined on an internal basis and confirmed externally by means of portfolio valuations as at 30 June 2020 and 31 December 2020. Properties are divided into clusters on the basis of their location and quality. Assumptions regarding changes in rents, vacancies and maintenance costs, as well as discount and capitalisation rates, are largely made on the basis of these clusters. Nursing and project assets were valued by an external appraiser as of 31 December 2020. The valuation is largely based on assumptions about market rents, discount rates and maintenance costs. All valuation assumptions are subject to assumptions due to their long-term nature, which can result in positive and negative changes in value in the future. The carrying amount of the investment properties and properties held for sale amounted to EUR 28.1 billion (previous year: EUR 25.4 billion). For further information, see Note D.1 "Investment properties".

Impairment testing of goodwill

Deutsche Wohnen tests goodwill for impairment annually and if there is any indication of impairment. This entails estimating the recoverable amount of the cash generating unit. This is the higher of fair value less costs of disposal and value in use. Measuring value in use requires estimates and assumptions to be made about the underlying future cash flows and costs of capital. Although company management assumes that the estimates and assumptions are reasonable, any unforeseeable changes could result in an impairment loss. For further information, see Note D.4 "Intangible assets".

Pensions and other post-employment benefits

Expenses for post-employment defined-benefit plans and the measurement of the corresponding pension obligations are calculated using actuarial methods. The actuarial calculations are made on the basis of assumptions regarding discount rates, future wage and salary increases, mortality and future pension increases. Such estimates are subject to key uncertainties in view of the long-term nature of these plans. The employee benefit liabilities amounted to EUR 109.6 million as at 31 December 2020 (previous year: EUR 107.2 million). For further information, see Note D.13 "Pension obligations".

Deferred taxes

Accounting for deferred taxes requires in particular estimates of tax rates, the reversal of temporary differences and the use of deferred tax assets from tax loss carryforwards. The underlying assumptions are subject to uncertainty. After netting the deferred tax assets amounted to EUR 0.0 million as at 31 December 2020 (previous year: EUR 0.1 million) and the deferred tax liabilities to EUR 4,412.0 million (previous year: EUR 3,713.8 million). For further information, see Note D.17 "Deferred taxes".

B Basis of consolidation and consolidation methods

1 Basis of consolidation

The consolidated financial statements comprise those of Deutsche Wohnen SE and the subsidiaries it controls from the time of their acquisition, i. e. from the date on which the Group obtains control over the entities in question. They will continue to be consolidated until the date on which the parent company relinquishes such control. The composition of the Deutsche Wohnen Group can be seen in the list of shareholdings attached as Appendix 1.

A total of 160 entities (previous year: 149) were included in the consolidated financial statements by way of full consolidation in 2020 (Annexe 1).

Two subsidiaries were merged with other subsidiaries in the course of mergers within the group. Two new entities structured as German limited companies were founded within the SYNVIA Group. In the Nursing Operations segment, one entity trading as a German limited company left the consolidated group due to a merger. This did not have any material effect on the company's assets financial performance or position.

In the Residential Property Management segment Deutsche Wohnen also acquired the project business of ISARIA Wohnbau AG (hereafter known as "ISARIA") which had previously belonged to Lone Star, a US financial investor. The business acquired consists largely of ten project companies, one personnel company and two project properties. The acquisition date on which Deutsche Wohnen SE gained control over the acquired business is 1 July 2020. As of this date Deutsche Wohnen held 100% of the shares in the acquired entities and the risks and rewards of the project properties had been transferred. ISARIA specialises in converting commercial areas into sustainable urban neighbourhoods with modern housing. Deutsche Wohnen acquired the housing development company for its own portfolio and expects it to strengthen the sustainable profitability of its Residential Property Management segment.

In the six months to 31 December 2020 ISARIA contributed revenues of EUR 7.4 million and a loss of EUR 19.4 million to consolidated net income. If the acquisition had taken place as of 1 January 2020 Group revenues would have been EUR 15.7 million higher and consolidated net income for 2020 EUR 22.3 million lower.

Compensation paid for the acquisition of ISARIA comprises a cash component of EUR 543.9 million, including the repayment of EUR 338.8 million in loans and accrued interest of EUR 1.6 million.

The purchase price allocation to the assets and liabilities acquired from ISARIA as of the date of first-time consolidation is based on an external assessment of the fair value of these assets and liabilities.

The assets and liabilities acquired have the following fair values:

EUR m	
Investment properties	509.4
Intangible assets	2.2
Land and buildings held for sale	32.3
Trade receivables	9.5
Cash and cash equivalents	26.5
Other assets	9.7
Total assets	**589.6**
Financial liabilities	–138.8
Trade payables	–3.2
Deferred tax liabilities	–70.0
Other liabilities	–5.3
Total liabilities	**–217.3**
Net assets at fair value	**372.3**
Total consideration	543.9
Goodwill	**171.6**

The fair value of the brand is measured using the licence analogy method and essentially represents the intangible assets acquired. The measurement of investment properties and land and buildings held for sale was performed by Jones Lang LaSalle SE, an external appraiser.

Goodwill essentially represents the forecast earnings potential of the business acquired and potential synergies resulting from integrating ISARIA into the Residential Property Management segment.

The gross amount of the purchased trade receivables corresponds to their fair value.

This acquisition incurred transaction costs in connection with a business combination accounted for in line with IFRS 3 of EUR 23.4 million, which mainly consist of land transfer taxes of EUR 22.0 million.

2 Consolidation methods

The subsidiaries' financial statements are prepared using uniform accounting policies and valuation methods with the same reporting date as the parent company's financial statements. Subsidiaries are fully consolidated from the time of their acquisition, this being the date on which the Group obtains control over them. They continue to be consolidated until the date on which the parent company ceases to exercise such control over them.

Capital is consolidated in accordance with the purchase method. The acquisition costs arising in the context of the acquisition of companies and businesses are offset against the fair value of the acquired assets and liabilities at the time of the acquisition. Any difference in a positive amount resulting from this offsetting is recognised under assets as goodwill. Negative differences are reviewed and recognised through profit or loss. The time of the acquisition is the point in time at which the Group acquires the ability to exercise control over the relevant activities of the subsidiary in question, becomes exposed to fluctuations in the return on its investment and has powers of disposal with which it may influence such fluctuating returns. Differences from sales and purchases of shares to and from non-controlling shareholders are offset within equity.

All intra-group balances, transactions, income, expenses, profits and losses from intra-group transactions included in the carrying amount of assets are eliminated in full.

Joint ventures and associates are consolidated using the equity method in accordance with IAS 28. The investment is recognised for the first time at cost. For subsequent consolidation the carrying amount is modified to reflect pro rata changes in the equity of the associate or joint venture.

Non-controlling interests represent that portion of earnings and net assets that is not attributable to the shareholders of the parent company. Non-controlling interests are measured at their share of the identified net assets of the company acquired at the acquisition date. Non-controlling interests are shown separately in the consolidated income statement, the consolidated statement of comprehensive income and the consolidated balance sheet. The disclosure on the consolidated balance sheet is made within equity, separate from the equity attributable to the shareholders of the parent company.

3 Disclosure on interests in other companies

Shares in fully consolidated subsidiaries

Deutsche Wohnen SE had 159 subsidiaries on the reporting date (previous year: 148). There are no restrictions on access to the assets and liabilities of these subsidiaries.

At some companies there are non-controlling interests which are only entitled to share in earnings. Non-controlling interests in these companies are recognised in equity in the consolidated financial statements. The interests of non-controlling shareholders in GSW Immobilien AG amounted to 6.0% of the overall shareholdings as at 31 December 2020 (previous year: 6.1%). GSW Immobilien AG paid out dividends in the amount of EUR 4.8 million to non-controlling shareholders in the financial year 2020.

The following condensed information is provided for the GSW Group as a material subsidiary with non-controlling interests:

EUR m	2020	2019
Non-current assets	9,502.3	8,479.9
Current assets	195.2	532.1
Cash and cash equivalents	6.4	6.0
Non-current liabilities	–4,088.4	–3,791.0
Current liabilities	–158.2	–174.4
Net assets	**5,457.3**	**5,052.6**
Net income for the year	**484.1**	**517.7**
Other comprehensive income	0.0	0.6
Change in cash and cash equivalents	0.4	–0.6
Dividend	79.3	79.3

Deutsche Wohnen SE has assumed guarantees, sureties and other collateral vis-à-vis third parties on behalf of Group companies in the amount of EUR 2,762.0 million (previous year: EUR 2,487.8 million).

Interests in joint arrangements and associates
As of the reporting date Deutsche Wohnen holds shares in 22 joint ventures and four associates (previous year: nine joint ventures and three associates).

In 2020 Deutsche Wohnen acquired 40% of QUARTERBACK Immobilien AG, an unlisted company based in Leipzig, which was classified as a joint venture. According to IFRS financial information the QUARTERBACK Group comprised 88 fully consolidated subsidiaries and 38 subsidiaries and financial investments accounted for using the equity method which were included in the consolidated financial statements as of 31 December 2020. QUARTERBACK Immobilien AG and its subsidiaries operate particularly in the development, realisation and marketing of property projects and the management of various portfolio assets.

Deutsche Wohnen also invested in eleven unlisted financial investments of QUARTERBACK Immobilien AG, with equity interests of between 44% and 50%, which were also classified as joint ventures. The direct or indirect purpose of these special purpose entity and holdings of special purpose is the property project business.

The following table shows condensed financial information for QUARTERBACK Immobilien AG and the acquired QUARTERBACK special purpose entity, which are individually immaterial, as of 31 December 2020. The table also shows a provisional reconciliation of the condensed financial information with the carrying amount of Deutsche Wohnen's interest in QUARTERBACK Immobilien AG and the combined QUARTERBACK special purpose entity. The first-time recognition of the acquisition was not complete at the time the publication of Deutsche Wohnen's consolidated financial statements was approved, because final information from the QUARTERBACK Immobilien Group as of the acquisition date was not available. Accounting for the acquisition will be adjusted if new information about facts and circumstances in existence as of the acquisition date becomes known within one year of the acquisition date, if it would have resulted in restatements of the following amounts or additional provisions.

	QUARTERBACK Immobilien AG	QUARTERBACK single asset entities
EUR m	2020	2020
Non-current assets	**627.3**	**180.7**
Current assets		
Cash and cash equivalents	72.4	–29.7
Other current assets	439.9	694.5
Total current assets	**512.3**	**664.8**
Non-current liabilities		
Financial liabilities (without trade payables)	–235.9	–24.9
Other liabilities	–173.5	–66.9
Total non-current liabilities	**–409.4**	**–91.8**
Current liabilities		
Financial liabilities (without trade payables)	–86.8	–58.3
Other current liabilities	–307.2	–456.1
Total current liabilities	**–394.0**	**–514.4**
Non-controlling interests	–30.3	–9.4
Net assets (100%)	**305.9**	**229.9**
Group interest in %	40	44 bis 50
Group interest in net assets in EUR	122.4	108.4
Group adjustments	7.2	5.5
Goodwill	90.8	–
Carrying amount of interests in joint ventures	**220.4**	**113.9**
Net revenues	199.8	67.2
Interest income	2.0	13.0
Depreciation, amortisation and impairment	–0.9	–0.3
Interest expenses	–28.6	–13.7
Income taxes	–28.2	–23.2
Profit and total comprehensive income (100%)	29.2	16.5

Provisional accounting using the equity method of the investments in the QUARTERBACK Immobilien Group produced earnings of EUR 6.5 million.

Deutsche Wohnen had business relations with the QUARTERBACK Immobilien Group in 2020. These transactions resulted from the normal exchange of goods and services and all outstanding balances were reached on arm's length terms. As of the reporting date there were outstanding loans of EUR 252.4 million, which are repayable no more than 12 months after the reporting date. The interest rate on the loans during the financial year was 3.0%. Sales of project properties by QUARTERBACK Immobilien AG to subsidiaries of Deutsche Wohnen SE amounted to EUR 292.5 million. There were outstanding receivables of EUR 0.8 million as of 31 December 2020. No guarantees were given or received. Deutsche Wohnen also made a contribution of EUR 40.0 million to the capital reserve of QUARTERBACK Immobilien AG in the reporting year.

In addition to these new shareholdings Deutsche Wohnen holds shares in ten further companies, which are currently immaterial considered individually and are accounted for using the equity method; listed market prices are not available. The table below aggregates the carrying amounts and the share of profit and other comprehensive income for these entities:

EUR m	2020	2019
Carrying amount of interests in entities accounted for using the equity method	**28.6**	**22.6**
Group interest in earnings of immaterial entities accounted for using the equity method		
Profit share of continuing operations	2.4	2.4
Other comprehensive income	–	–
Interest in other comprehensive income	**2.4**	**2.4**

Deutsche Wohnen has no significant financial liabilities or guarantees to joint ventures and associates.

Investments in non-consolidated entities

Deutsche Wohnen acquired shares in 16 special purpose entity in the QUARTERBACK Immobilien Group in 2020 that are held as financial instruments. In addition, Deutsche Wohnen holds shares in eight (previous year: five) other non-consolidated entities which are not material for the Group. These generally relate to shareholdings in other property companies. There are no material obligations towards these entities.

Deutsche Wohnen's total risk exposure in relation to these 24 shareholdings is equivalent to their carrying amounts. The carrying amounts of the non-consolidated companies amounted to EUR 23.1 million as at 31 December 2020 (previous year: EUR 2.3 million).

C Accounting policies and valuation methods

1 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement of fair value is based on the presumption that the business transaction in the context of which the asset is sold or the liability is transferred occurs in either:

- the primary market for the asset or liability in question, or
- where no primary market exists, the most advantageous market for the asset or liability in question

The Group must have access to the primary or most advantageous market. The fair value of an asset or liability is measured using the assumptions on which market participants would base pricing for the asset or the liability. It is assumed that market participants act in their best economic interest.

The Group uses measurement techniques that are appropriate to the given circumstances and for which sufficient data for fair value measurement are available. The use of observable inputs should be maximised and the use of unobservable inputs should be kept to a minimum.

All assets and liabilities measured or presented at fair value in the financial statements are assigned to the fair value hierarchy described below. The fair value measurement is categorised in its entirety in the level of the lowest level input that is significant to the entire measurement:

- Level 1 – quoted prices in active markets for identical assets or liabilities.
- Level 2 – Valuation procedure pursuant to which the input parameter at the lowest level which is of overall significance for the fair value measurement can be directly or indirectly observed in the market.
- Level 3 – Valuation procedure pursuant to which the input parameter at the lowest level which is of overall significance for the fair value measurement cannot be observed in the market.

For assets and liabilities that are recognised in the financial statements on a recurring basis the Group determines whether any transfers between the levels of the fair value hierarchy have taken place by reviewing the classification at the end of each reporting period (based on the lowest level input that is significant to the entire measurement).

2 Investment properties

Investment properties are properties that are held to generate rental income or for the purpose of generating value and that are not used by the company itself or held for sale in the course of normal business activities. Investment properties include land with residential and commercial buildings, nursing assets, project assets, undeveloped land and land with third-party ground leases.

Investment properties are valued initially at cost, including transaction costs. Subsequent to the initial recognition, investment properties are valued at their fair value. Gains or losses arising from changes in the fair value of investment properties are reported in the profit and loss statement.

An internal valuation of the residential and commercial buildings was carried out as of 31 December 2020, 30 June 2020 and 31 December 2019. The portfolio was concurrently valued by Jones Lang LaSalle SE, Frankfurt/Main, as of 31 December 2020 and 31 December 2019 in accordance with internationally accepted valuation methodologies, and the total value was confirmed. The amount of remuneration paid to the external appraisal companies is calculated on a fixed-rate basis and is thus independent of the results of the property valuation. As a rule, the difference between the internal valuation and the external confirmation for an individual property is not larger than +/–10% above an absolute materiality threshold of +/- EUR 250 thousand. Development projects for residential and commercial buildings were valued by Jones Lang LaSalle SE. Nursing assets were valued by W&P Immobilienberatung GmbH, Frankfurt/Main.

Investment properties are derecognised when either they have been disposed or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses from the permanent withdrawal from use or disposal of investment properties are recognised in the year of their withdrawal from use or disposal.

Properties are transferred from the investment properties portfolio if there is a change of use caused by the company either starting to use the property itself or by the commencement of development with an intention to dispose.

3 Property, plant and equipment

Property, plant and equipment are stated at cost net of cumulative depreciation and amortisation and cumulative impairment losses. Subsequent acquisition costs are recognised if it is probable that the future economic benefits associated with the asset will flow to Deutsche Wohnen.

Straight-line depreciation and amortisation is based on the estimated useful life of the asset. The useful life of buildings is 50 years. The useful life of fixed assets is four to ten years. Any amortisation of these assets is recognised as such under expenses in the consolidated profit and loss statement.

The carrying amount of property, plant and equipment is tested for impairment if there is any indication that the carrying amount of an asset exceeds its recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss resulting from derecognition of the asset is calculated as the difference between the net disposal proceeds and the carrying amount and is recognised in the consolidated profit and loss statement in the period in which the item is derecognised.

Residual values of assets, useful lives and depreciation methods are reviewed and adjusted as necessary at the end of each financial year.

4 Intangible assets

Deutsche Wohnen only recognises purchased intangible assets. They are measured at cost. There are currently no economic or legal restrictions on the use of the intangible assets.

Intangible assets with a certain useful life are amortised on a straight-line basis over their respective useful lives. Their useful lives are between three and twenty years. Any amortisation of these assets is recognised as such under expenses in the consolidated profit and loss statement.

Intangible assets with an indefinite useful life, particularly goodwill, are not amortised. Goodwill is tested annually for impairment and other intangible assets if there is an indication that they are impaired.

5 Borrowing costs

Borrowing costs directly attributable to the purchase, construction or production of a qualifying asset are capitalised. Deutsche Wohnen exercises the option in IAS 23.4 of capitalising borrowing costs for qualifying assets held at fair value for investment properties and project properties. Other borrowing costs are recognised as expenses in the period in which they are incurred.

6 Impairment of non-financial assets

Non-financial assets consist essentially of property, plant and equipment, intangible assets and inventories. The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If there is any such indication the Group estimates the recoverable amount of the asset. The recoverable amount of an asset is the higher of the fair value of an asset or cash generating unit less costs of disposal and its value in use. The recoverable amount is measured for each individual asset, unless the asset does not generate cash flows that are largely independent of those of other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount.

Goodwill acquired in business combinations is tested at least annually for impairment. To test for impairment, goodwill must be allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination. Each unit represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill of EUR 319.7 million is allocated as followed for this purpose: EUR 171.6 million to the the Residential Property Management segment, EUR 140.0 million to the Nursing Operations segment and EUR 8.1 million to the SYNVIA Group.

Goodwill is tested for impairment by determining the value in use of the cash generating units by reference to forecast future cash flows derived from actual figures, which are extrapolated for a detailed planning phase at a typical growth rate for the sector. The value in use of the cash generating units is largely determined by the terminal value, however. Terminal value depends on the projected cash flow in the fifth year of the medium-term planning as well as the growth rate of the cash flows thereafter and the discount rate. For further information, see Note D.4 "Intangible assets".

Non-financial assets are assessed on each reporting date in order to ascertain whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If there is any such indication the Group estimates the recoverable amount of the asset. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. In this case, the carrying amount of the asset is increased to its recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of scheduled depreciation and amortisation, had no impairment loss been recognized for the asset in previous years. Any reversal is recognised in earnings for the period. Impairment losses on goodwill are not reversed.

7 Financial assets

Deutsche Wohnen classifies its financial assets in the following measurement categories:
- at fair value (either through profit or loss or through other comprehensive income), and
- at amortised cost.

Classification depends on the company's business model for the financial assets and on the contractual cash flows. If the financial asset is held to collect contractual cash flows consisting solely of interest and principal payments, the asset is held at amortised cost. All other financial assets are measured at fair value. Gains and losses are recognised through profit or loss if the Group does not exercise the option of measuring equity instruments at fair value through other comprehensive income.

Arm's-length purchases or disposals of financial assets are recognised as at the trading date, i.e. the date on which the Group undertakes to buy or sell the asset. Financial assets are derecognised when contractual rights to receive the cash flows from the financial asset expire or are transferred and the Group has transferred essentially all the risks and rewards of ownership.

For first-time recognition the Group measures a financial asset at fair value, plus – in the case of a financial asset at fair value through other comprehensive income – the transaction costs directly attributable to this asset. Transaction costs of financial assets at fair value through profit or loss are recognised as expenses in the consolidated income statement.

Financial assets with embedded derivatives are considered as a whole to determine whether their cash flows consist solely of payments of principal and interest.

Loss allowances for debt instruments are based on expected credit losses. The Group uses the simplified approach for trade receivables, which entails recognising the credit losses expected over the full lifetime at the first-time recognition of the receivable. Loss allowances on receivables from rental activities are recognised depending on the extent to which those receivables are past due. Appropriate individual loss allowances are recognised for other financial assets.

Interest rate swaps are reported at their fair value on the basis of market-aligned valuation models.

A financial asset (or part of a financial asset or part of a group of financial assets) is derecognised when the contractual rights to cash flows from a financial asset expire.

8 Inventories

Inventories comprise land and buildings held for sale and other inventories. Land and buildings held for sale are sold in the normal course of business, which may exceed a period of twelve months.

The initial valuation is made at cost. Costs of purchase include the direct costs of purchasing and making the assets available for use, i.e. the costs of purchasing land, in particular, and incidental purchase costs. Costs of production include the costs directly attributable to the property development process and borrowing costs to the extent that they are incurred during the production period. At the reporting date, the inventories are valued at the lower of cost and net realisable value. The forecast net realisable value corresponds to the expected sales proceeds in the normal course of business, less distribution and production costs up to completion.

9 Cash and cash equivalents

Cash and cash equivalents on the consolidated balance sheet comprise cash on hand and cash at bank.

10 Assets held for sale

Deutsche Wohnen accounts for investment properties and the associated financial liabilities as assets held for sale if contracts have been signed as of the reporting date, but title is conveyed later. Properties held for sale are valued at their fair value.

11 Financial liabilities

Deutsche Wohnen classifies financial liabilities as defined in IFRS 9 either as
- other financial liabilities measured at amortised cost,
- financial liabilities at fair value or
- derivative financial liabilities.

Financial liabilities and corporate bonds

Loans and corporate bonds are recognised for the first time at fair value less the transaction costs directly associated with the borrowing. After initial recognition, the interest-bearing loans are subsequently valued at amortised cost using the effective interest method. Gains and losses are recognized in the profit or loss statement when the liabilities are derecognized or during the amortisation process.

Convertible bonds

Convertible bonds, which, as financial instruments comprising bonds and share options, can be redeemed by the company either in cash or in the form of shares upon their conversion by creditors, and for which securities listings can be identified on the markets, will be valued, when reported for the first time, at the fair value commensurate with their nominal value. Transaction costs related to the issue are recognised as finance expenses. As a result of the application of the fair value reporting option to compound financial instruments, the convertible bonds are subsequently valued at their market price on the relevant balance sheet date. Measurement gains and losses are recognised in other comprehensive income to the extent that they are due to changes in the default risk of the convertible bond. The remaining portion of measurement gains and losses is recognised through profit or loss.

Trade payables and other liabilities

Liabilities are initially recognised at their fair value. After initial recognition, they are valued at amortised cost using the effective interest method. Gains and losses are recognized in the profit or loss statement when the liabilities are derecognized or during the amortisation process.

A financial liability is derecognised when the underlying obligation is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability at the time value. The difference between the two carrying amounts is recognised in earnings for the period.

12 Pensions and other post-employment benefits

Pension provisions are recognised for obligations (retirement, invalidity, surviving dependant benefits), vested entitlements and current benefits to active and former employees and their surviving dependants. In total, there are pension commitments for 2,111 employees (of which 406 are active employees and 1,705 are retired employees and pensioners), which provide for pension payments on the basis of length of service and the salary level at retirement age (previous year: 2,013 employees, of which 431 were active employees and 1,582 former employees and pensioners).

Expenses for defined-benefit plans are calculated using the projected unit credit method. Actuarial gains and losses are recognised in other comprehensive income.

Deutsche Wohnen pays contributions to government pension agencies under defined contribution plans in accordance with legislation. Current contributions are shown as social security expenses in staff expenses. The Group has no further obligations once it has paid the contributions.

There is also a pension plan drawn up in accordance with the regulations governing public sector supplementary pensions. It is based on membership of a Group company in the Bayerische Versorgungskammer (hereinafter "BVK") – the supplementary pension fund for municipalities in Bavaria – as well as the Pension Institution of the Federal Republic and the Federal States (Versorgungsanstalt des Bundes und der Länder, hereinafter "VBL"). The supplementary pension scheme consists of partial or full incapacity benefits and a retirement pension as a full pension or a pension paid to surviving dependants. The charge levied by the BVK and the VBL is determined on the basis of the employees' compensation used to calculate the supplementary pension contribution. Structural changes or an exit from the VBL could result in significant demands for compensation.

The BVK and the VBL each therefore constitute a multi-employer defined benefit plan that, in accordance with IAS 19.30 (a), is accounted for as a defined contribution plan because the companies do not provide sufficient information to account for the plan as a defined benefit plan.

No concrete information is available about any surplus or shortfall in plan assets or any related future impact on Deutsche Wohnen. Plan surpluses/deficits could in the future result in an increase/a reduction in the amount of the premiums to be paid by Deutsche Wohnen to the BVK and the VBL.

13 Provisions

A provision is recognised if the Group has a present obligation (legal or constructive) as a result of a past event, the outflow of resources to settle the obligation is probable, and the amount can be estimated reliably. If the Group expects at least the partial reimbursement of a recognised provision (under an insurance policy, for example), the reimbursement is only recognised as a separate asset if the reimbursement is as good as certain. The expense involved in establishing the provision will be reported in the profit and loss statement net of the reimbursed amount. If the interest effect is material, provisions are discounted at a pre-tax rate that reflects the specific risks of the obligation. If obligations are discounted, the increase in the provision over time is recognised as a finance expense.

14 Leases

Deutsche Wohnen accounts as a lessee for all contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration, recognising at present values a right-of-use asset for the leased item and a corresponding liability for the payment obligations incurred. Any renewal and termination options are taken into account when determining the lease term. Payment obligations are discounted at the incremental borrowing rate, since the Group cannot reliably determine the interest rates implicit in the lease. The right-of-use asset is initially measured at cost, which is made up of the amount of the lease liability, lease incentives, contract and restoration costs. Subsequent measurement of right-of-use assets is the same as for comparable purchased assets, so items of property, plant and equipment are depreciated on a straight-line basis and investment properties measured at fair value.

The Group uses the exemption for low-value leases and leases with a term of less than twelve months, recognising lease payments as expenses on a straight-line basis through profit or loss. The Group also uses the practical expedient of not separating the lease and non-lease components of vehicle leases.

If Deutsche Wohnen acting as lessor signs a lease which transfers substantially all of the risks and rewards to the lessee, the future lease payments by the client are recognised in place of the leased item as lease receivables equal to the net investment in the lease.

Tenancy agreements that Deutsche Wohnen signs with its tenants are classified as operating leases. Accordingly, the Group acts as lessor in a diverse range of operating lease agreements (tenancies) for investment properties from which it obtains the largest part of its income and revenues.

15 Recognition of income and expenses

Revenue from contracts with customers

Revenues from goods or services are recognised for the amount the Group expects to receive when control passes from Deutsche Wohnen to the customer either over time or at a point in time, after the performance obligation has been satisfied. The Group generates revenue from contracts with customers for nursing services, the sale of properties and the invoicing of operating costs. For income from operating costs the Group acts as the principal for the contracted services with regard to tenants and bears the inventory risk.

Income from the sale of project properties is recognised either at a point in time or over time as defined in IFRS 15, when the customer gains control of the relevant asset. Deutsche Wohnen generally meets the criteria for transfer of control over time when selling its property assets and recognises revenue using the percentage-of-completion method for the construction project from the time the contract with the customer is signed (cost-to-cost method). Revenue is measured on the basis of consideration defined in the contract with customers.

Additional costs of contract origination are capitalised and depreciated over time. If the period between the date of the contract and acceptance of freehold property and pro rata commonhold property is not longer than one year, the contract origination costs are not capitalised but expensed immediately. Existing warranties are always recognised in accordance with IAS 37.

Rental income

Rental income is recognised monthly over the period of the leases in accordance with the tenancy agreement.

Expenses

Expenses are recognised as soon as they are incurred in economic terms.

Interest expenses and income

Amounts of interest are recognised as expenses or income in the period in which they accrue.

Long-term performance related remuneration includes share-based remuneration components. The remuneration components to be expensed over the vesting period correspond to the fair value of the equity-based remuneration on the reporting date. Time values are measured on the basis of acknowledged valuation models. Liabilities are recognised for an equal amount.

16 Government grants

Government grants are recognised when it is sufficiently certain that they will be received and the company meets the applicable conditions. In the case of a grant related to an expense item, it is recognised as planned income over the period necessary to match the grant on a systematic basis to the expenses that it is intended to compensate.

Deutsche Wohnen has received government grants in the form of grants and loans to cover expenses and loans at preferential interest rates.

Grants to cover expenses, in the form of rent subsidies, are recognised in the period in which the rent in question is collected. They are recognised as income from residential property management.

Loans to cover expenses and at preferential interest rates are property loans and are presented as finance liabilities. Both have benefits compared with standard market loans, such as lower interest rates or interest and repayment holidays. The loans are initially measured at fair value and are subsequently carried at amortised cost. They are accompanied by restrictions on increasing the rent of the properties, however, which are taken into account for the fair value measurement.

17 Own work capitalised

Direct costs and production-related overhead incurred for construction work are recognised through profit or loss as an addition to the carrying amount of the property when it is probable that the future economic benefits of the construction work will flow to Deutsche Wohnen. Income from initial recognition is shown in the consolidated income statement as other operating income and the addition is subsequently measured in line with the valuation method for the property.

18 Taxes

Current tax assets and tax liabilities

Current income tax assets and liabilities for the current period and for previous periods are valued at the amount expected to be reimbursed by or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those enacted as at the reporting date. The amount of the forecast tax asset or liability is a best estimate that takes any tax uncertainty into account.

Deferred taxes

Income taxes are recognised and measured in accordance with IAS 12. Deferred income tax assets and liabilities are recognised for temporary differences. Taxable and deductible temporary differences are calcuated by comparing the IFRS carrying amounts and the local tax bases of assets and liabilities (adjusted for permanent differences). The tax base is calculated according to the tax regulations of the respective tax jurisdiction where the item is taxed.

Deferred tax liabilities are recognised for all taxable temporary differences with the following exception: the deferred tax liability on taxable temporary differences in connection with investments in subsidiaries, associates and joint ventures is not recognised if the time at which the temporary differences reverse can be controlled and it is likely that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, unused tax loss carryforwards, and unused tax credits to the extent that it is probable that taxable income will be available against which the deductible temporary differences and the unused tax loss carryforwards and tax credits can be offset. The following exceptions apply:

- Deferred tax assets may not be recognised for deductible temporary differences resulting from the initial recognition of an asset or liability other than in a business combination which, at the time of the transaction, does not affect accounting profit or taxable profit.
- Deferred tax assets for deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint arrangements, are only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and that taxable profit will be available against which the temporary difference will be utilised.

The carrying amount for deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the deferred tax asset to be utilised. Unreported deferred tax assets are reviewed on every balance sheet date and reported to the extent that it appears likely that future taxable earnings will allow for the realisation of the deferred tax asset in question.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates/laws that have been enacted or substantively enacted by the end of the reporting period. Deferred taxes reflect any income tax uncertainty.

Income taxes relating to items recognised in other comprehensive income or directly in equity are recognised in other comprehensive income or directly in equity and not in the consolidated income statement. Changes in deferred tax assets are recognised in or off the profit and loss statement on the basis of a reasonable pro rata allocation (IAS 12.63c).

Deferred tax assets and liabilities are offset if the Group has the legal right and the intention to settle on a net basis and the deferred tax amounts are levied by the same taxing authority on the same entity or different entities that intend to realise the asset and settle the liability at the same time.

19 Derivative financial instruments and hedging transactions

The Group uses derivative financial instruments to hedge interest rate risks. These derivative financial instruments are recognised at fair value at the time of the contract. Derivative financial instruments are recognised as financial assets if their fair value is positive and as financial liabilities if their fair value is negative. They are subsequently valued at their fair value.

This is calculated using the discounted cash flow method, with the calculation of the present value taking account of individual credit ratings and other market factors in the form of credit rating and liquidity spreads such as are customary in the market. The valuation also takes account of the risk of non-performance (counterparty risk) and the company's own default risk in accordance with IFRS 13.42 et seq.

Deutsche Wohnen accounts for interest rate swaps according to the hedge accounting rules in IFRS 9 if the criteria are met. Hedge accounting requires documentation of the hedging relationship between the hedged item and the hedging instrument, and evidence that the hedge is effective. IFRS 9 also stipulates that if the hedging relationship is effective, the change in the value of the effective portion of the hedge is recognised in equity and the change in the value of the non-effective portion is recognised in the consolidated income statement. Deutsche Wohnen has tested the effectiveness of the interest rate hedges on a prospective basis (hypothetical derivative method). Gains and losses from fair value changes in derivative financial instruments that do not fulfil the criteria for hedge accounting are recognised immediately through profit or loss. The time values of interest rate swaps are classified as current or non-current assets depending on the terms of the contract.

Deutsche Wohnen only hedges cash flows resulting from future interest payments.

20 Share-based remuneration

In the period from 2014 to 2017 the Management Board of Deutsche Wohnen received share-based remuneration in the form of subscription rights (share options). The share option programme was an option plan settled with equity instruments.

Expenses for the issue of share options are measured at the fair value of the share options at the time they are awarded. Fair value was measured using generally acknowledged option pricing models. Issuing expenses for share options were recognised and equity (capital reserve) was increased accordingly at the same time.

The dilutive effect of outstanding share options is taken into account as additional dilution when calculating earnings per share if the issue of share options and their underlying conditions results in an imputed dilution of existing shareholders.

A restricted share unit (RSU) programme was introduced for Management Board members in 2019 which is classified as share-based, cash-settled remuneration. The assets or services acquired in the course of this remuneration programme and the corresponding liability are recognised at the fair value of the liability. The fair value of the liability is to be remeasured on each reporting date and on the settlement date until it is settled. All changes in fair value are recognised through profit or loss.

In the financial year 2020, individual Management Board members were granted subscription rights to SU (share units) under certain conditions as part of a compensation agreement. This is classified as share-based remuneration. Settlement of 40% in cash and 60% in own shares was agreed. The assets or services acquired in the cash component of this remuneration programme and the corresponding liability are recognised at the fair value of the liability. The fair value of the liability is to be remeasured on each reporting date and on the settlement date until it is settled. All changes in fair value are recognised through profit or loss. The assets or services acquired in the share component of this remuneration programme and the corresponding increase in equity must be carried at the attributable fair value of the assets or services acquired when granted.

D Disclosures on the consolidated balance sheet

1 Investment properties

Investment properties are carried at fair value. Fair value developed as follows during the financial year:

EUR m	Residential and commercial properties	Residential project properties	Nursing facilities	Total
	31/12/2020	31/12/2020	31/12/2020	31/12/2020
Opening balance	**23,906.9**	**333.0**	**1,193.3**	**25,433.2**
Additions	675.0	0.3	0.9	676.2
Additions by way of company acquisitions	0.0	509.4	0.0	509.4
Other additions	300.6	68.7	18.7	388.0
Disposals	–23.8	0.0	–0.3	–24.1
Fair value adjustment	1,650.4	3.2	–0.8	1,652.8
Reclassification within IAS 40	–71.3	71.3	0.0	0.0
Reclassification to other measurement categories	–564.8	0.0	–1.2	–566.0
Closing balance	**25,873.0**	**985.9**	**1,210.6**	**28,069.5**

EUR m	Residential and commercial properties	Residential project properties	Nursing facilities	Total
	31/12/2019	31/12/2019	31/12/2019	31/12/2019
Opening balance	**22,128.4**	**312.6**	**1,340.6**	**23,781.6**
Additions	932.8	–12.9	0.1	920.0
Additions by way of company acquisitions	0.0	0.0	0.0	0.0
Other additions	401.1[1]	12.8	21.8[1]	435.7[1]
Disposals	–533.8	0.0	0.0	–533.8
Fair value adjustment	1,389.8[1]	20.5	–9.2[1]	1,401.1[1]
Reclassification within IAS 40	0.0	0.0	0.0	0.0
Reclassification to other measurement categories	–411.4	0.0	–160.0	–571.4
Closing balance	**23,906.9**	**333.0**	**1,193.3**	**25,433.2**

1 Previous year's figure changed due to exercise of IAS 23 option

Reclassification to other measurement categories essentially comprises properties reclassified as non-current assets held for sale in the current financial year. It is expected that the risks and rewards of these properties will be transferred by the end of 2021. Additions also include payments made on account for investment properties. Other additions particularly comprise capitalised construction work.

Investment properties are measured using valuation models classified as Level 3 of the measurement hierarchy in IFRS 13 Fair Value Measurement. The resulting valuation of EUR 1,652.8 million was recognised in full in the consolidated income statement. Measurement of properties reclassified as non-current assets held for sale on the basis of the notarised sales contracts resulted in a valuation of EUR 203.6 million, which was also recognised through profit or loss. Valuation gains are unrealised until the properties are sold on market terms.

Residential and commercial buildings

The following principles developed in the course of the periodic internal measurement were applied to the valuation of residential and commercial buildings as of 31 December 2020, 30 June 2020 and 31 December 2019.

Valuation on the basis of defined clusters:

- Calculation of annual rates of rental increase and target vacancy rates based on the location and characteristics of the property,
- Calculation of discount rates for the detailed budgeting phase,
- Calculation of capitalisation rates in perpetuity.

Formulation of the valuation based on individual properties:

- Determination of the market rent as at the reporting date,
- Development of rent per sqm of lettable area based on market rent and current gross rent,
- Development of costs (maintenance, management, default risk and non-recoverable operating costs, ground rents (if relevant)),
- Determination of cash flows from annual proceeds and payments and the terminal value at the end of year ten, based on the recurring cash flow expected in year eleven,
- Calculation of fair value for the management unit as of the measurement date.

The discount and capitalisation rates were calculated on the basis of property-specific risk assessments.

Maintenance expenses are determined using typical and asset-specific approaches for each property. The asset-specific approaches are based on the condition of the property and past experience of regular maintenance work.

The measurement was reviewed by means of an independent third-party valuation as of the reporting date. The same valuation methods were used for the internal measurement and the third-party valuation. Undeveloped land was valued on the basis of the publicly registered land values and/or a discounted cash flow valuation by an external appraiser.

The following table summarises the valuation parameters used for the individual clusters. All the sub-clusters in the main clusters Core+, Core and Non-Core are mentioned that collectively account for a minimum of 10% of the total property value. Sub-clusters below this threshold are shown together. The figures shown relate to the ranges in each cluster and to the weighted average:

31/12/2020			Core+	Core	Non-Core	Total
	Berlin	Other	Total	Total	Total	Total
Carrying amount (EUR m)	19,099	5,438	24,537	1,029	15	**25,581**
Carrying amount (EUR/sqm)	2,866	2,483	2,771	1,521	1,059	**2,680**
Share of carrying amount in %	74.7	21.2	95.9	4.0	0.1	**100**
In-place rent (EUR/sqm)	6.53	7.39	6.73	6.20	5.93	**6.69**
Market rental growth p.a. in %	1.10	2.60	1.50	1.80	2.10	**1.5**
Vacancy rate in %	1.3	3.5	1.9	2.3	3.0	**1.9**
Multiple	36.2	28.0	34.0	20.5	14.9	**33.1**
Discount rate in %	3.7	4.9	4.0	5.6	6.7	**4.1**
Capitalisation rate in %	2.9	3.8	3.1	4.9	5.9	**3.1**
Maintenance costs (EUR/sqm/p.a.)	13.70	13.42	13.63	13.33	15.46	**13.61**

31/12/2019			Core+	Core	Non-Core	Total
	Berlin	Other	Total	Total	Total	Total
Carrying amount (EUR m)	17,684	4,962	22,647	1,136	638	**23,788**
Carrying amount (EUR/sqm)	2,595	2,141	2,480	1,356	6	**2,384**
Share of carrying amount in %	74.3	20.9	95.2	4.8	0.0	**100**
In-place rent (EUR/sqm)	6.96	7.13	7.00	6.01	5.15	**6.92**
Market rental growth p.a. in %	2.43	2.28	2.40	1.96	0.90	**2.4**
Vacancy rate in %	2.4	3.6	2.7	3.5	6.7	**2.8**
Multiple	31.0	24.9	29.5	19.1	11.0	**28.7**
Discount rate in %	4.7	5.2	4.8	5.8	6.9	**4.9**
Capitalisation rate in %	3.4	4.2	3.6	4.7	6.5	**3.6**
Maintenance costs (EUR/sqm/p.a.)	13.62	13.57	13.61	14.15	15.17	**13.66**

Unobservable input factors may interact with one another. So an increase in the vacancy rate could affect the discount rate because it increases the risk, or a lower vacancy rate could potentially lead to higher rental growth. Similarly, higher rents could require higher maintenance expenses, for example.

Any adjustment of the material valuation parameters (market rent increase during the detailed budgeting phase 20% lower than projected; increase in the discount rate of 0.1%; increase in the capitalisation rate of 0.1%) will result in the following non-cumulated fair value adjustments on the basis of the carrying amount of the residential and commercial buildings:

31/12/2020			Core+	Core	Non-Core	Total
in %	Berlin	Other	Total	Total	Total	
Market rental growth	-4.97	-7.47	-5.53	-4.90	-5.27	**-5.50**
Discount rate	-0.85	-0.79	-0.84	-0.72	-1.00	**-0.83**
Capitalisation rate	-2.79	-1.83	-2.58	-1.28	-0.84	**-2.53**

31/12/2019			Core+	Core	Non-Core	Total
in %	Berlin	Other	Total	Total	Total	
Market rental growth	-8.20	-5.85	-7.68	-4.80	-8.18	**-7.55**
Discount rate	-1.44	-0.87	-1.32	-0.26	-6.00	**-1.27**
Capitalisation rate	-2.78	-1.60	-2.52	-0.63	-6.10	**-2.43**

Residential project properties

Residential project properties were valued as of 31 December 2019 and 31 December 2020 by Jones Lang LaSalle SE using the residual value method. The key inputs for the valuation are net present value after completion and project development costs:

EUR m	31/12/2020	31/12/2019
Net present value after completion	4,153	1,502
Project development costs	3,108	1,130

Any adjustment of these material input factors (lowering of net sales prices by 10%; increase in project development costs of 10%) results in the following non-cumulated fair value adjustments on the basis of the carrying amount of the project properties:

in %	31/12/2020	31/12/2019
Net present value after completion	-30.84	-37.23
Project development costs	-22.45	-27.43

Nursing facilities

Nursing facilities were valued as of 31 December 2019 and 31 December 2020 by W&P Immobilienberatung GmbH. The key inputs for the valuation are average market rents, discount rates and maintenance expenses:

	31/12/2020	31/12/2019
Market rent (EUR/sqm)	8.16	9.97
Discount rate in %	4.67	4.73
Maintenance costs (EUR/sqm/p.a.)	11.14	11.32

Any adjustment of these material input factors (lowering of market rents by 5%; increase in the discount rate of 0.1%; increase in maintenance costs rate of 10%) will result in the following non-cumulated fair value adjustments on the basis of the carrying amount of the nursing facilities:

in %	31/12/2020	31/12/2019
Market rent	–5.0	–5.0
Discount rate	–2.0	–2.0
Maintenance costs	–1.0	–1.0

The investment properties to some extent serve as collateral for the loans. There are also agreements in place in individual cases pursuant to which the condition of the properties may not deteriorate or the average minimum investments have been determined on a per-square-metre basis.

2 Leases where Deutsche Wohnen is lessor

The rental agreements between Deutsche Wohnen and its tenants generated rental income of EUR 837.6 million (previous year: EUR 837.3 million). The expenses directly associated with the investment properties amounted to EUR 482.6 million (previous year: EUR 466.9 million).

In 2021, Deutsche Wohnen will receive minimum lease payments totalling approximately EUR 215 million pursuant to existing operating lease agreements concluded with third parties (termination thereof presumably subject to the statutory notice period of three months) and in connection with its current property portfolio for the Residential Property Management segment.

In the context of its Assisted Living and Nursing Services operations, Deutsche Wohnen will receive additional minimum lease payments of approximately EUR 5.2 million in 2021 (average contractually stipulated period of notice for termination: one month). Deutsche Wohnen is set to realise leasing income of approximately EUR 30 million from the nursing properties under external management in the financial year 2021.

In addition to statutory restrictions, Deutsche Wohnen is sometimes restricted from raising rents from certain priority tenants or in connection with subsidies in the form of loans at preferential interest rates or investment grants. Legal conditions also apply to the privatisation of residential units.

Leases for certain broadband cable networks have been classified as finance leases; they gave rise to lease receivables of EUR 28.7 million as of 31 December 2020 (previous year: EUR 31.0 million) and interest income of EUR 1.4 million (previous year: EUR 1.5 million). The term structure of the receivable was as follows:

EUR m	31/12/2020	31/12/2019
Nominal value of outstanding lease payments	**35.6**	**39.4**
of which due within one year	3.7	3.8
of which due between one and two years	3.7	3.8
of which due between two and three years	3.5	3.7
of which due between three and four years	3.5	3.5
of which due between four and five years	3.1	3.6
of which due after more than five years	18.1	21.0
plus non-guaranteed residual values	**0.2**	**0.2**
less unrealised finance income	**–7.1**	**–8.6**
Present value of outstanding lease payments	**28.7**	**31.0**

3 Property, plant and equipment

Land and building accounted for in line with IAS 16, technical equipment and operating and office equipment are presented in this item. They developed as follows during the financial year:

31/12/2020

EUR m	Properties used by the Group	Technical plant and machinery	Operating and office equipment	Total
Acquisition cost				
Opening balance	47.2	164.6	47.6	259.4
Additions	9.0	28.3	12.4	49.7
Additions by way of company acquisitions	3.9	0.0	0.4	4.3
Disposals	–3.4	–17.8	–2.2	–23.4
Reclassifications	–1.5	6.1	–2.6	2.0
Closing balance	**55.2**	**181.2**	**55.6**	**292.0**
Cumulative depreciation and amortisation				
Opening balance	7.3	40.1	20.5	67.9
Additions	2.8	21.8	7.6	32.2
Disposals	0.0	–3.5	–1.6	–5.1
Closing balance	**10.1**	**58.4**	**26.5**	**95.0**
Residual carrying amounts	**45.1**	**122.8**	**29.1**	**197.0**

31/12/2019

EUR m	Properties used by the Group	Technical plant and machinery	Operating and office equipment	Total
Acquisition cost				
Opening balance	30.4	117.2	41.6	189.2
Additions	14.5	61.4	10.0	85.9
Additions by way of company acquisitions	3.9	2.3	7.1	13.3
Disposals	-1.0	-25.4	-2.6	-29.0
Reclassifications	-0.6	9.1	-8.5	0.0
Closing balance	**47.2**	**164.6**	**47.6**	**259.4**
Cumulative depreciation and amortisation				
Opening balance	5.1	22.2	15.4	42.7
Additions	2.4	20.9	7.5	30.8
Disposals	-0.2	-3.0	-2.4	-5.6
Closing balance	**7.3**	**40.1**	**20.5**	**67.9**
Residual carrying amounts	**39.9**	**124.5**	**27.1**	**191.5**

The land and buildings included in property, plant and equipment (EUR 44.9 million, previous year: EUR 39.9 million) are pledged as collateral.

Right-of-use assets from leased items of property, plant and equipment changed as follows in the reporting period:

31/12/2020

EUR m	Heat contracting	Metering technology	Commercial office leases	Vehicle leases	Total
Acquisition cost					
Opening balance	101.5	30.4	9.5	1.3	142.7
Additions	6.7	10.8	4.2	0.7	22.4
Additions by way of company acquisitions	0.0	0.0	3.9	0.0	3.9
Disposals	-10.3	-6.8	-1.4	-0.2	-18.7
Reclassifications	0.0	0.0	0.0	0.0	0.0
Closing balance	**97.9**	**34.4**	**16.2**	**1.8**	**150.3**
Cumulative depreciation and amortisation					
Opening balance	31.8	3.7	1.1	0.4	37.0
Additions	14.3	4.3	2.0	0.6	21.2
Disposals	-2.2	-1.3	0.0	-0.3	-3.8
Closing balance	**43.9**	**6.7**	**3.1**	**0.7**	**54.4**
Residual carrying amounts	**54.0**	**27.7**	**13.1**	**1.1**	**95.9**

31/12/2019

EUR m	Heat contracting	Metering technology	Commercial office leases	Vehicle leases	Total
Acquisition cost					
Opening balance	100.6	0.0	0.0	0.0	100.6
Additions	24.3	32.1	6.1	1.0	63.5
Additions by way of company acquisitions	0.0	0.0	3.9	0.3	4.2
Disposals	–23.4	–1.7	–0.5	0.0	–25.6
Reclassifications	0.0	0.0	0.0	0.0	0.0
Closing balance	**101.5**	**30.4**	**9.5**	**1.3**	**142.7**
Cumulative depreciation and amortisation					
Opening balance	20.2	0.0	0.0	0.0	20.2
Additions	14.0	4.1	1.3	0.4	19.8
Disposals	–2.4	–0.5	–0.2	0.0	–3.1
Closing balance	**31.8**	**3.6**	**1.1**	**0.4**	**36.9**
Residual carrying amounts	**69.7**	**26.8**	**8.4**	**0.9**	**105.8**

Leases recognised in the consolidated income statement using the practical expedient for low-value leases and short-term leases (less than twelve months) came to EUR 0.9 million in the reporting year (previous year: EUR 0.8 million) and EUR 0.0 million respectively (previous year: EUR 0.3 million). Revenues from the subletting of licences for heat contracting and metering technology came to EUR 19.3 million (previous year: EUR 18.9 million).

4 Intangible assets

The changes in intangible assets were as follows:

31/12/2020

EUR m	Goodwill	Other	Total
Acquisition cost			
Opening balance	148.1	66.7	214.8
Additions	0.0	2.5	2.5
Additions by way of company acquisitions	171.6	2.4	174.0
Disposals	0.0	–0.1	–0.1
Reclassifications	0.0	0.1	0.1
Closing balance	**319.7**	**71.6**	**391.3**
Cumulative depreciation and amortisation			
Opening balance	0.0	25.9	25.9
Additions	0.0	7.8	7.8
Disposals	0.0	–0.1	–0.1
Closing balance	**0.0**	**33.6**	**33.6**
Residual carrying amounts	**319.7**	**38.0**	**357.7**

31/12/2019

EUR m	Goodwill	Other	Total
Acquisition cost			
Opening balance	22.2	25.8	48.0
Additions	0.0	2.3	2.3
Additions by way of company acquisitions	128.6	38.7	167.3
Disposals	–2.7	–0.2	–2.9
Reclassifications	0.0	0.1	0.1
Closing balance	**148.1**	**66.7**	**214.8**
Cumulative depreciation and amortisation			
Opening balance	0.7	15.9	16.6
Additions	2.0	10.2	12.2
Disposals	–2.7	–0.2	–2.9
Closing balance	**0.0**	**25.9**	**25.9**
Residual carrying amounts	**148.1**	**40.8**	**188.9**

Additional goodwill of EUR 171.6 million resulted from the purchase price allocation for the acquisition of the ISARIA Group. For further information, see Note B.1 "Basis of consolidation". Goodwill essentially represents the forecast earnings potential of the business acquired and potential synergies resulting from integrating it into the Residential Property Management segment. The goodwill has been allocated in full to the Residential Property Management segment.

The impairment test for goodwill of EUR 171.6 million in the Residential Property Management segment was based on the following planning assumptions and market-based parameters:

The projected inflows of funds were calculated on the basis of past experience and take account of expected market growth in the specific business areas.

The cash flows after the ten-year detailed budgeting phase are extrapolated on the basis of a growth rate of 1.0% which does not exceed the average rate of growth in the market or the industry. The duration of the detailed planning phase is consistent with the detailed planning phase for the property valuation.

The discount rate is determined on the basis of the average weighted costs of capital in the property sector. The present value is calculated using a discount rate based on the Group's weighted capital cost rate of 3.0% before taxes. The impairment test did not reveal any impairment.

Goodwill would suffer an impairment loss of EUR 171.6 million if the costs of capital went up by 0.5%. Goodwill would suffer an impairment loss of EUR 125,0 million if the planned growth rate fell by 0.5%. The estimated recoverable amount in the Residential Property Management segment exceeds their carrying amount by approximately EUR 5.1 billion.

Goodwill of EUR 140.0 million is allocated to the Nursing Operations segment. The goodwill impairment test was based on the following planning assumptions and market-based parameters:

The projected inflows of funds were calculated on the basis of past experience and take account of expected market growth in the specific business areas.

The cash flows after the five-year detailed budgeting phase are extrapolated on the basis of a growth rate of 1.0% which does not exceed the average rate of growth in the market or the industry.

The discount rate is determined on the basis of the average weighted costs of capital in the nursing and healthcare sector. The present value is calculated using a discount rate based on the Group's weighted capital cost rate of 5.19% before taxes.

Additional goodwill of EUR 8.1 million is allocated to the acquired Synvia Group. The goodwill impairment test was based on the following planning assumptions and market-based parameters:

The projected inflows of funds were calculated on the basis of past experience and take account of expected market growth in the specific business areas.

The cash flows after the fifteen-year detailed budgeting phase are extrapolated on the basis of a growth rate of 1.1% which does not exceed the average rate of growth in the market or the industry. The duration of the detailed planning phase reflects the long project cycles in the business.

The discount rate is determined on the basis of the average weighted costs of capital. The present value is calculated using a discount rate based on the Group's weighted capital cost rate of 8.17% before taxes.

5 Land and buildings held for sale

The increase in land and buildings held for sale is mainly due to the addition of a project under construction in the greater Munich area. In the financial year 2020, proceeds of EUR 55.6 million (previous year: EUR 17.5 million), were achieved. The proceeds were partly offset by carrying amounts of assets sold of EUR 27.1 million (previous year: EUR 11.9 million).

6 Trade receivables

Receivables are made up as follows:

EUR m	31/12/2020	31/12/2019
Rent receivables	18.2	15.4
Receivables from the disposal of land	0.8	3.3
Receivables from disposal (development)	7.0	0.0
Other trade receivables	9.9	6.3
	35.9	**25.0**

Rent receivables do not pay interest and are past due. Loss allowances are recognised on an age distribution basis and depending on whether the tenants in question are current or former tenants. Loss allowances have been recognised for almost all overdue receivables.

In the financial year 2020, rent receivables in the amount of EUR 3.9 million (previous year: EUR 2.2 million were depreciated and amortised or impaired. The loss allowance on receivables as at 31 December 2020 amounted to EUR 20.1 million (previous year: EUR 18.4 million) and results largely from further loss allowances in the reporting year.

Receivables from the disposal of land are interest-free and are due between 1 and 90 days. Receivables from the sale of land are not impaired and only overdue to a very minor extent.

Receivables from disposal (development) do not pay interest, are not impaired and not past due.

Other receivables do not pay interest and are due within 1 and 90 days.

7 Derivative financial instruments

Deutsche Wohnen has concluded several interest hedging transactions for a nominal amount of EUR 1.1 billion (previous year: EUR 1.2 billion). The cash flows from the underlying transactions, which are hedged as cash flow hedges, will be realised in the years from 2025 to 2029. The strike rates are between 0.88% and 1.49% (previous year: between 0.88% and 1.49%). The total fair value of these transactions (aggregate of both positive and negative amounts) amounted to EUR –54.7 million as at 31 December 2020 (previous year: EUR –50.8 million).

There are no material credit risks since interest rate hedges are only arranged with banks with good credit ratings. If the interest rate level changes, the fair value changes accordingly. Income and expenses are recognised in equity for the effective part of a hedge, while the non-effective part is recognised within current earnings.

The time values and nominal values of all the interest rate hedges are shown below by remaining term to maturity:

EUR m	Fair values		Nominal value	
Maturity date	2020	2019	2020	2019
Up to 1 year	0.0	−0.0	0.0	35.0
From 1 to 5 years	−3.9	−1.2	194.2	77.0
From 5 to 10 years	−50.8	−49.6	942.2	1,112.7
	−54.7	**−50.8**	**1,136.5**	**1,224.7**

The negative carrying amount of interest rate hedges presented in hedge accounting is EUR 24.8 million (previous year: EUR 18.9 million) and is shown under liabilities in the balance sheet item "Derivative instruments by maturity". The cash flow hedge reserve developed as follows:

EUR m	2020	2019
Opening balance as of 01/01	−12.9	−3.4
Plus: change in fair values of hedging instruments recognised in OCI	−6.1	−14.1
Less: reclassified from OCI to interest expenses	0.2	1.5
Less: deferred taxes	1.5	3.1
Final balance as at 31/12	**−17.2**	**−12.9**

EUR 0.4 million was reclassified to interest expenses as ineffective in the reporting year. Nominal amounts and weighted average hedging rates from hedge accounting are shown below:

EUR m	2020	2019
Nominal amount	248.8	250.5
Weighted average hedging rate in the financial year in %	0.93	0.93

8 Other financial assets

Other financial assets consist largely of financial investments in associates and joint ventures and receivables from these investees. For further information see Note B.3 "Disclosure on interests in other companies".

9 Cash and cash equivalents

The cash and cash equivalents of EUR 583.3 million (previous year: EUR 685.6 million) mainly consist of cash at bank and cash on hand. Bank balances earn interest at floating rates for sight accounts. Short-term deposits are for various periods between overnight and three months, depending on the Group's liquidity needs.

10 Equity

Please refer to the consolidated statement of changes in equity with regard to the development of the Group's equity.

a) Issued share capital

The registered share capital of Deutsche Wohnen SE as at 31 December 2020 amounted to EUR 359,843,541.00 (previous year: EUR 359,715,653.00). It is divided into 359,843,541 no-par value bearer shares each representing a notional share of the registered capital of EUR 1.00 per share. Deutsche Wohnen SE has only bearer shares. The shares are fully paid in.

All shares have the same rights and obligations. Each share entitles the holder to one vote at the Annual General Meeting and determines the shareholders' shares in the profits of the company. The rights and obligations of the shareholders are outlined in detail in the provisions of the German Stock Corporation Act [Aktiengesetz – AktG], in particular sections 12, 53a et seq., 118 et seq. and 186; in accordance with section 71b AktG the company has no rights from treasury shares. There are no shares with special rights conferring powers of control.

The Management Board of Deutsche Wohnen SE is not aware of any restrictions on voting rights or share transfers.

New shares from capital increases are issued as bearer shares.

Change in authorised capital

EUR thousand	
Authorised capital 2018/I	
As at 1 January 2020	107,383
Used	0
As at 31 December 2020	**107,383**

By resolution of the Annual General Meeting held on 15 June 2018, which was entered into the commercial register on 16 August 2018, the Management Board has been authorised to increase the company's issued capital, with the consent of the Supervisory Board, by up to EUR 110 million once or several times during the period until 14 June 2023 by means of the issuance of up to 110 million new ordinary bearer shares against cash contributions and/or contributions in kind (authorised capital 2018/I). Partial use was made of this authorisation, by issuing 2,617,281 new shares for EUR 2,617,281.00. After this partial use there is still EUR 107,382,719.00 of authorised capital 2018/I available for the issue of up to 107,382,719 ordinary bearer shares. As a rule, shareholders must be granted subscription rights when shares are issued from authorised capital. However, in certain cases, the Management Board is entitled to exclude the subscription rights of shareholders with the consent of the Supervisory Board and subject to the detailed provisions of the Articles of Association.

Change in contingent capital

EUR thousand	2014/II	2014/III	2015/I	2017/I	2018/I	Total
As at 1 January 2020	**5,852**	**12,728**	**50,000**	**30,000**	**35,000**	**133,580**
Capital increase by issue of own shares to settle the SOP 2014	–	–56				–56
Capital increase by issue of offer shares (GSW control agreement)[1]	–72	–	–	–	–	–72
As at 31 December 2020	**5,780**	**12,672**	**50,000**	**30,000**	**35,000**	**133,452**

1 The changes in capital were entered into the commercial register on 29 January 2021.

Contingent Capital 2014/II was reduced in 2020 by the issue of 72,098 shares to be offered in the context of the proposed settlement for the control agreement with GSW Immobilien GmbH.

Contingent Capital 2014/III was reduced in 2020 by the issue of 55,790 shares to fulfil the 2016 tranche of the share option programme for the Management Board.

The issued capital has contingently been increased by a total of up to EUR 133.45 million by means of the issuance of up to approximately 133.45 million new no-par value bearer shares with dividend rights generally from the start of the financial year of their issuance (Contingent Capital 2014/II, Contingent Capital 2014/III, Contingent Capital 2015/I, Contingent Capital 2017/I and Contingent Capital 2018/I).

Issue of option rights, warrants or convertible bonds, profit participation rights or bonds with profit participation rights

The resolution adopted at the Annual General Meeting held on 15 June 2018 authorised the Management Board, subject to the approval of the Supervisory Board, to issue no-par value convertible and/or warrant bearer bonds and/or profit participation rights with option or conversion rights (or a combination of these instruments) with a nominal value of up to EUR 3.0 billion, and to grant the creditors thereof conversion or option rights for the Company's shares representing a share of the issued capital of up to EUR 35 million. The share issue will only take place insofar as conversion rights arising out of the convertible bonds are exercised, or insofar as conversion obligations arising out of the bonds are fulfilled, and own shares, shares issued out of authorised capital or other benefits are not used to service the obligations.

Purchase of own shares

The acquisition of own shares is authorised pursuant to article 9(1) c)(ii) SE Regulation in conjunction with section 71 et seq. German Stock Corporation Act [Aktiengsetz – AktG] and also, as at the balance sheet date, by the Annual General Meeting held on 15 June 2018. The Management Board is authorised, with the consent of the Supervisory Board and subject to compliance with the principle of equal treatment of shareholders (article 9(1) c)(ii) SE Regulation in conjunction with section 53a German Stock Corporation Act [Aktiengesetz – AktG]) to purchase and use the company's own shares to 14 June 2023 up to a total amount of 10% of the company's outstanding share capital at the time the resolution is passed, or at the time the authorisation is used if this figure is lower. Shares acquired using this authorisation together with other own shares the company has previously acquired and still holds or are attributable to it under section 71a et seq. of the German Stock Corporation Act [Aktiengsetz – AktG]] may not at any time exceed 10% of the company's share capital. The authorisation may not be used for the purpose of trading in treasury shares.

On 12 November 2019 the Management Board made use of this authorisation, with the approval of the Supervisory Board, and adopted a share buyback programme for up to 25 million shares and a total purchase price (without incidental costs) of up to EUR 750 million. The total number of shares acquired exclusively in Xetra trading at Frankfurt Stock Exchange by banks on behalf of Deutsche Wohnen SE in the course of the share buyback programme in the period from 15 November 2019 until its early end on 14 September 2020 was 16,070,566. This represents 4.47% of the share capital of Deutsche Wohnen SE. The average price paid per share was EUR 37.1675. Shares were bought back for a total of EUR 597,302,731.08. The treasury shares are to be used for purposes permitted under the authorisation to purchase treasury shares adopted at the Annual General Meeting on 15 June 2018. Detailed information in accordance with article 5 (1) b) and (3) Regulation (EU) No. 596/2014 in conjunction with article 2 (2) and (3) Delegated Regulation (EU) No. 2016/1052 is available online from https://www.deutsche-wohnen.com/aktienrueckkauf.

As of 31 December 2020 the company held 16,070,566 treasury shares. These treasury shares represent share capital of EUR 16,070,566.00.

b) Capital reserve

The capital reserve was reduced by EUR 484.4 million by the purchase of own shares. It was reduced by EUR 0.1 million from the share option programme. Furthermore, the capital reserve was increased by EUR 2.4 million as a result of the contribution in kind of GSW Immobilien AG shares in place since September 2014 within the scope of the share exchange resulting from the control agreement. Capital reserves of EUR 385.3 million were transferred to retained earnings. This represents the transfer to net profit in the HGB financial statements of Deutsche Wohnen SE.

c) Retained earnings

Retained earnings consist of Deutsche Wohnen's profit reserves and cumulative earnings carried forward.

The statutory framework applies to German joint stock companies. An amount equivalent to 5% of the profit for the financial year is to be retained pursuant to section 150(2) of the German Stock Corporation Act [Aktiengesetz – AktG]. The amount of the statutory reserve is subject to a cap of 10% of the issued capital. In accordance with section 272(2)(1)–(3) of the German Commercial Code [Handelsgesetzbuch – HGB], any existing capital reserves are to be taken into account and the provisions required for the statutory reserve reduced accordingly. This is measured on the basis of the issued share capital which exists and is legally effective at the reporting date and which is to be reported in this amount on the respective annual balance sheet. The statutory reserve remains unchanged at EUR 1.0 million.

d) Non-controlling interests

The share of non-controlling interests largely relates to the shares of third parties in the earnings of the fully-consolidated holding companies not wholly owned by Deutsche Wohnen. For further information see Note B.3 "Disclosure on interests in other companies".

11 Financial liabilities

The company has taken out loans from banks, particularly to finance property and company transactions and to purchase properties.

Around 81.5% (previous year: 81.8%) of the financial liabilities are at a fixed rates or are hedged with interest rate swaps. The average rate of interest is approximately 1.3% (previous year: approximately 1.4%).

The loan renewal structure based on current outstanding liability is as follows:

EUR m	Carrying amount	Nominal amount	2020	2021	2022	2023	2024	≥2025
Loan renewal structure 2020	6,525.1	6,551.8	–	12.7	37.7	747.7	222.7	5,531.0
Loan renewal structure 2019	6,327.7	6,375.1	46.1	23.2	173.0	749.5	225.3	5,158.0

Almost all the liabilities are secured by way of land charges.

12 Corporate bonds and convertible bonds

Deutsche Wohnen issued various bearer bonds and corporate bonds in 2020, taking the outstanding nominal volume of these instruments up to some EUR 1,124 million.

The following bonds from Deutsche Wohnen are outstanding as of 31 December 2020:

Type	Issue	Maturity max.	Nominal EUR m	Coupon % p.a.	Carrying amount EUR m	Conversion price EUR/share
Convertible bonds	2017	2024	800.0	0.325	886.6	47.057
Convertible bonds	2017	2026	800.0	0.600	882.1	49.468
Total convertible bonds			**1,600.0**		**1,768.7**	
Corporate bonds	2020	2025–2030	1,190.0	1.0–1.5	1,180.7	–
Registered bonds	2017–2019	2026–2032	475.0	0.9–2.0	476.2	–
Bearer bonds	2018–2020	2021–2036	1,477.5	0.0–2.5	1,472.1	–

13 Retirement benefit obligations

Company retirement benefits consist of defined benefit and defined contribution plans. The average term of the obligations is approximately 17.7 years (previous year: 18.2 years), payments under retirement benefit plans for 2021 are expected to come to EUR 4.1 million (less payments on plan assets) (previous year: EUR 4.1 million).

Provisions for retirement benefits are determined using the projected unit credit method in accordance with IAS 19. This entails valuing future obligations by means of actuarial methods and estimating the relevant variables.

The amount of employee benefit liabilities (present value of the pension commitment) was determined by an external actuary on the basis of the following assumptions:

in %	31/12/2020	31/12/2019
Discount rate	0.62	0.75
Salary trend	2.99	3.02
Pension trend	1.48	1.50
Increase in assessment base	1.91	1.99
Mortality tables	R 18G	R 18G

The salary trend represents forecast future salary increases, which are estimated annually, also on the basis of inflation and seniority with the company.

The employee benefit liabilities taken over in the scope of the BauBeCon acquisition are financed through the ufba – Unterstützungskasse zur Förderung der betrieblichen Altersversorgung e.V. (Assistance Fund for the Promotion of Company Pension Plans inc. soc.) – and recognised on the balance sheet as plan assets. The valuation used an interest rate of 0.55% (previous year: 0.65%).

The following summary shows the financing status of the Group's pension plans, which is at the same time equivalent to the balance sheet amount:

EUR m	31/12/2020	31/12/2019
Present value of employee benefit liabilities	117.3	115.0
Less fair value of plan assets	–7.7	–7.8
	109.6	**107.2**

The following table shows the change in the present value of defined-benefit obligations and the fair value of plan assets:

EUR m	31/12/2020	31/12/2019
Pension obligation, opening balance	115.0	71.3
Additions by way of company acquisitions	0.0	27.8
Pension payments	–3.9	–3.4
Interest expense	0.9	1.6
Service cost	2.0	2.1
Reclassification Other provisions	0.0	0.7
Actuarial gains and losses	3.3	14.9
Pension obligation, closing balance	**117.3**	**115.0**
of which pension plans funded by plan assets	11.7	11.7
of which pension plans not funded by plan assets	105.6	103.3
Plan assets, opening balance	7.8	7.9
Interest revenues from plan assets	0.0	0.1
Pension payments from plan assets	0.0	0.0
Actuarial gains and losses	–0.1	–0.2
Plan assets, closing balance	**7.7**	**7.8**

The pension expenses comprise the following:

EUR m	2020	2019
Interest expense	–0.9	–1.5
Service cost	–2.0	–2.1
	–2.9	**–3.6**

Pension commitments consist of retirement, invalidity and surviving dependant benefits. They are based on the last fixed annual gross salary. Different benefit plans apply depending on the employee's position in the company.

Compound interest expenses are recognised in the consolidated income statement under "Interest expense" and current benefit payments, current service cost and adjustments to current benefits are recognised in the item "Staff expenses".

Total expenses of EUR 17.6 million (previous year: EUR 15.4 million) were incurred for defined contribution pensions. Therefore, total expenses for retirement provisions (defined benefit and defined contribution) amounted to EUR 20.5 million (previous year: EUR 19.0 million). For 2021, based on the current number of employees, the cost will total EUR 20.3 million.

A drop in the interest rate of 0.25% would result in an increase in pension obligations of 4.23%; an interest rate increase of 0.25% would result in a reduction of pension obligations of 3.39%. A decline in the pension trend of 0.25% would result in an decrease in pension obligations of 2.97%; a pension trend increase of 0.25% would result in an increase of 3.16% in pension obligations.

The sensitivity calculations are based on the average term of the pension liabilities determined as at 31 December 2020. They were carried out for each of the actuarial parameters classified as significant with a view to demonstrating the effect on the present value of the employee benefit liabilities calculated as at 31 December 2020 on a separate basis. Given that the sensitivity analyses are based on the average term of the expected pension liabilities and consequently do not take account of the expected payment dates, they provide only approximate information or indications of future trends.

We do not consider that any other changes in the relevant actuarial parameters within the next year could realistically lead to a material change in the carrying amount of the provisions for retirement benefits.

Provisions of EUR 16 thousand have been recognised for invalidity benefit commitments to Management Board members (previous year: EUR 12 thousand), which are also shown in provisions for retirement benefits.

14 Other provisions

Other provisions comprise the following:

EUR m	Restructuring	Legal risks	Other	Total
Opening balance	**3.3**	**20.8**	**27.9**	**52.0**
Additions by way of company acquisitions	0.0	0.0	0.0	0.0
Used	–1.9	–0.6	–1.2	–3.7
Reversal	–0.5	–0.3	–0.9	–1.7
Addition	2.0	1.6	7.2	10.8
Closing balance	**2.9**	**21.5**	**33.0**	**57.4**
of which: non-current	0.6	19.6	9.7	29.9
of which: current	2.3	1.9	23.3	27.5

Other provisions (EUR 33.0 million; previous year: EUR 27.9 million) relate to a large number of third-party liabilities.

The additions include accrued interest on non-current provisions in the amount of EUR 0.0 million.

15 Liabilities under finance leases

Deutsche Wohnen recognises liabilities of EUR 148.7 million as of year-end under leases for heat contracting, ground rent, commercial property and vehicles (previous year: EUR 169.4 million), which are presented by maturity in other financial liabilities. Interest expenses for lease liabilities came to EUR 2.8 million in 2020 (previous year: EUR 2.8 million).

Leases gave rise to the following liabilities:

EUR m	Due within one year	Due in 1 to 5 years	Due after 5 years
31/12/2020			
Payments	23.7	66.4	111.9
Interest component	–2.1	–6.6	–44.5
Redemption component	21.6	59.8	67.4
31/12/2019			
Payments	23.4	73.0	139.5
Interest component	–2.7	–8.7	–55.1
Redemption component	20.7	64.3	84.4

16 Tax liabilities

Tax liabilities (EUR 60.5 million; previous year: EUR 26.2 million) consist mainly of provisions for current taxes and potential tax risks resulting from tax inspections.

17 Deferred taxes

Deferred taxes comprise the following:

EUR m	31/12/2020	Change	31/12/2019
Deferred tax assets			
Properties	5.7	4.1	1.7
Pensions	13.5	-0.8	14.3
Tax loss carryforwards	271.6	-45.3	316.9
Interest rate hedges	13.2	1.6	11.6
Loans	0.9	-0.3	1.2
Convertible bonds	23.0	13.5	9.5
Other	47.0	-8.7	55.7
	374.9	**-35.9**	**410.8**
Netting	-374.9	35.8	-410.7
Carrying amount	0	-0.1	0.1
Deferred tax liabilities			
Loans	-9.1	4.4	-13.5
Properties	-4,734.5	-672.9	-4,061.6
Other	-43.3	6.1	-49.4
	-4,786.9	**-662.4**	**-4,124.5**
Netting	374.9	-35.8	410.7
Carrying amount	-4,412.0	-698.2	-3,713.8
Net deferred taxes	**-4,412.0**	**-698.3**	**-3,713.7**

The changes in deferred taxes in 2020 and 2019 are as follows:

EUR m	2020	2019
Company acquisitions	-69.4	-3.3
Recognised directly in other comprehensive income	-0.7	18.9
Recognised in the income statement	-628.1	-484.6
	-698.2	**-469.0**

Actuarial gains and losses on pension obligations, changes in the fair value of effective hedges and the counterparty risk of the convertible bonds are recognised in equity without effect on income. The resulting deferred taxes are also recognised in OCI and amounted to EUR 0.2 million (previous year: EUR 3.3 million) for actuarial gains and losses, EUR 1.5 million (previous year: EUR 3.1 million) for changes in the fair value of effective hedges, and EUR –2.4 million (previous year: EUR 12.5 million) for the counterparty risk of convertible bonds.

The increase in the amount of the deferred tax liabilities with regard to properties in the financial year 2020 was largely the result of the revaluation of the investment properties.

Changes in estimates relating to the trade tax reduction for the company's use of its own property resulted in a negative earnings effect of EUR 11.7 million.

The Deutsche Wohnen Group has corporation tax loss carryforwards in the amount of EUR 1,483.3 million (previous year: EUR 1,648.6 million) and trade tax loss carryforwards in the amount of EUR 1,310.7 million (previous year: EUR 1,394.4 million). The amounts of corporation and trade tax loss carryforwards for which no deferred tax assets are recognised amount to EUR 563.2 million (previous year: EUR 545.0 million) and EUR 429.0 million (previous year: EUR 397.9 million). The tax loss carryforwards do not expire as a rule. The Deutsche Wohnen Group did not recognise deferred tax assets on interest carried forward of EUR 90.3 million, because it is not likely that they will be used in future given the capital structure.

No deferred tax assets were recognised for temporary differences of EUR 171.3 million in 2020 (previous year: EUR 132.8 million), because it is not likely that sufficient taxable income to use these amounts will be generated in the near future.

No deferred tax liabilities were recognised for profits of EUR 10,432.2 million accumulated at subsidiaries and joint ventures (previous year: EUR 8,927.7 million), because these profits are intended to be retained for an indefinite period or are not subject to taxation. If the profits were distributed or the subsidiaries and joint ventures sold, 5% of the distribution or the disposal gain would be subject to taxation, which would generally result in an additional tax expense.

E Disclosures on the consolidated income statement statement

The consolidated income statement is prepared using the total cost method.

1 Income from Residential Property Management

Income from Residential Property Management is made up as follows:

EUR m	2020	2019
Potential rent	859.5	860.7
Subsidies	1.0	0.9
Vacancy losses	–22.9	–24.3
Rent reductions	–7.3	–6.8
Operating costs	365.9	360.2
Other	1.6	1.0
	1,197.8	**1,191.7**

2 Income from Nursing Operations

Income from Nursing Operations is made up as follows:

EUR m	2020	2019
Income from nursing services	167.0	163.4
Rental income from nursing facilites	59.1	59.5
	226.1	**222.9**

3 Earnings from Disposals

The earnings from Disposals include income from sold properties and carrying amount of properties sold for investment properties and land and buildings held for sale.

4 Notes on revenue recognition pursuant to IFRS 15 and IFRS 16

The Group enters into tenancy agreements that essentially comprise the net cold rent and operating costs. The contractual component of net cold rent is a lease as defined in IFRS 16 Leases, whereas income from operating costs falls within the scope of IFRS 15 Revenue from contracts with customers. Income from operating costs consists of costs that are charged to tenants, which do not include any margin. In addition, sales revenue is mainly generated from the disposal of property and the provision of nursing services. For the purposes of this disclosure, income from operating costs for which no services are provided is divided among rental income and other income from operating costs (land tax and property insurance of EUR 73.7 million in 2020), weighted by the individual selling prices.

IFRS 15 and IFRS 16 disclosures for 2020

EUR m	Residential Property Management	Disposals	Nursing Operations	Nursing Assets	Other	Total
IFRS 16 income						
Rental income	830.6	–	59.1	37.0	6.3	933.0
Operating costs	54.5	–	–	–	–	54.5
	885.1	**0.0**	**59.1**	**37.0**	**6.3**	**987.5**
IAS 40 income						
Privatisation	–	38.3	–	–	–	38.3
Institutional sales	–	1,157.7	–	–	–	1,157.7
	0.0	**1,196.0**	**0.0**	**0.0**	**0.0**	**1,196.0**
IFRS 15 income						
Operating costs	311.4	–	–	1.2	–	312.6
Privatisation	–	12.9	–	–	–	12.9
Institutional sales	–	42.7	–	–	–	42.7
Income from sold properties (development) Development cost-to-cost	6.8	–	–	–	–	6.8
Nursing services	–	–	167.0	–	–	167.0
Other revenue from customer contracts:	1.3	–	–	–	15.4	16.7
	319.5	**55.6**	**167.0**	**1.2**	**15.4**	**558.7**
Time of revenue recognition according to IFRS 15						
Goods or services transferred at a point in time	–	55.6	–	–	12.7	68.3
Goods or services transferred over time	319.5	–	167.0	1.2	2.7	490.4
	319.5	**55.6**	**167.0**	**1.2**	**15.4**	**558.7**

IFRS 15 and IFRS 16 disclosures for 2019

EUR m	Residential Property Management	Disposals	Nursing Operations	Nursing Assets	Other	Total
IFRS 16 income						
Rental income	830.4	–	59.5	44.0	5.5	939.4
Operating costs	54.8	–	–	–	–	54.8
	885.2	**0.0**	**59.5**	**44.0**	**5.5**	**994.2**
IAS 40 income						
Privatisation	–	74.5	–	–	–	74.5
Institutional sales	–	675.3	–	–	–	675.3
	0.0	**749.8**	**0.0**	**0.0**	**0.0**	**749.8**
IFRS 15 income						
Operating costs	305.4	–	–	1.5	–	306.9
Privatisation	–	15.5	–	–	–	15.5
Institutional sales	–	2.0	–	–	–	2.0
Income from sold properties (development) Development cost-to-cost		–	–	–	–	0.0
Nursing services	–	–	163.4	–	–	163.4
Other revenue from customer contracts:	1.1	–	–	–	13.1	14.2
	306.5	**17.5**	**163.4**	**1.5**	**13.1**	**502.0**
Time of revenue recognition according to IFRS 15						
Goods or services transferred at a point in time	–	17.5	–	–	10.5	28.0
Goods or services transferred over time	306.5	–	163.4	1.5	2.6	474.0
	306.5	**17.5**	**163.4**	**1.5**	**13.1**	**502.0**

5 Cost of materials and services

The cost of materials comprises the following:

EUR m	2020	2019
Operating costs	–362.6	–358.1
Maintenance	–133.1	–131.8
Other	–44.9	–40.5
	–540.6	**–530.4**

6 Staff expenses

Staff expenses comprise the following:

EUR m	2020	2019
Wages and salaries	–194.1	–177.8
Social security contributions, retirement and other benefits	–37.7	–33.8
	–231.8	**–211.6**

The number of employees of the Deutsche Wohnen Group allocated to the Residential Property Management segment in the financial year averaged 1,339 (previous year: 1,308 employees). There was also an average of 3,984 employees in the Nursing Operations segment (previous year: 3,906).

7 Other operating expenses

Other operating expenses comprise the following:

EUR m	2020	2019
Operating and corporate expenses		
IT costs	–12.9	–10.8
Legal, advisory and audit costs	–12.6	–11.9
Communication costs	–7.4	–7.1
Other staff costs	–5.1	–5.4
Cost of premises	–4.7	–3.5
Other operating and corporate expenses	–6.9	–10.2
Miscellaneous other operating expenses	–54.4	–105.8
	104.0	**154.7**

Miscellaneous other operating expenses in 2020 consisted mainly of project and transaction-related expenses. Of the total, EUR 22.0 million relates to land transfer taxes, which were incurred as transaction costs in connection with the acquisition of ISARIA accounted for in accordance with IFRS 3. This item also includes a large number of non-recurring effects which were individually immaterial. The amount of miscellaneous other operating expenses in 2019 is largely due to non-recurring effects from the ongoing appraisal proceedings in connection with the control agreement signed in 2014 between Deutsche Wohnen SE and GSW Immobilien AG.

8 Other operating income

Other operating income fell to EUR 56.3 million (previous year: EUR 96.5 million). It consisted primarily of insurance payouts in Residential Property Management and own work capitalised for construction management. In 2020 alone it also included compensation of EUR 9.5 million from nursing care funds for loss of income and additional expenses as a result of the coronavirus pandemic. Non-recurring income of EUR 54.7 million was recognised in 2019 from the appraisal proceedings in connection with the control agreement signed in 2014 between Deutsche Wohnen SE and GSW Immobilien AG.

9 Share-based remuneration

Restricted Share Units

Certain Management Board members receive virtual shares, known as restricted share units (RSU). The RSU are allocated in four annual tranches on 1 April of each financial year. The number of RSU to be allocated in each financial year is defined in advance in the service contracts for Management Board members. The agreed value of each RSU corresponds to the reference price of the Deutsche Wohnen SE share on the allocation date, plus a notional dividend. The amount of the corresponding annual gross company dividend per share must be added to each RSU in the year of its allocation and every year thereafter. Allocations end if the Management Board member entitled to allocations leaves the company for whatever reason.

RSU are settled in cash or, in the event of an extension of the service contract of the Management Board member entitled to allocations, in the year of allocation of the final tranche, usually on the day on which the variable short-term remuneration component (STI) for the year concerned is paid out. On this date the company transfers to the Management Board member entitled to allocations the number of company shares corresponding to 60% of the number of RSU acquired by the Management Board member (RSU convertible shares). The Management Board member receives the difference between the value of the RSU convertible shares and the value of the RSU including the notional dividend as a cash payment on the aforementioned date.

In all other cases the virtual shares are settled on 15 April of the first year after the last tranche has been allocated, on condition that the Management Board member entitled to allocation has not declined an offer to renew their service contract on the same terms, or has terminated their service contract without a good reason or their contract has been terminated for a good reason.

The RSU convertible shares may be sold no sooner than four years after the time of allocation of the relevant tranche.

8,125 RSU with a fair value of EUR 35.47 each were awarded in 2020. The Deutsche Wohnen Group incurred expenses of EUR 0.3 million for the RSU programme in the reporting year.

Share units

In the financial year 2020, individual Management Board members were granted subscription rights to SU (share units) under certain conditions as part of a compensation agreement. This is classified as share-based remuneration. Settlement of 40% in cash and 60% in own shares was agreed. The agreed value of each SU corresponds to the reference price of the Deutsche Wohnen SE share as of the relevant compensation date, plus a notional dividend. The subscription requirements are deemed to be in place if the Federal Constitutional Court determines that the Berlin rent freeze law is unconstitutional and the closing price of the company share reaches or exceeds the amount of EUR 35.56 on at least one trading day in XETRA by Deutsche Börse AG between the date of the ruling of the Federal Constitutional Court and the compensation date, or if the Federal Constitutional Court rules that the Berlin rent cap is constitutional and the change in the value of the company share between 1 January 2019 and the compensation date corresponds at a minimum to the change in value of the EPRA/NAREIT Germany index in this period. The settlement of the SU is equivalent to 60% of the total number of SU in shares of the company. The difference between the value of the shares transferred and the SU value in total is paid as a cash payment, including the notional dividend. An expense of EUR 0.3 million from this agreement was recorded in the financial year 2020.

Share option plan

The share option plan set up in 2014 provides for a maximum of 12,879,752 subscription rights to be issued to members of the Management Board of Deutsche Wohnen SE and selected managers in the Deutsche Wohnen Group on the following terms:

subscription rights are issued in annual tranches to beneficiaries for up to four years after the contingent capital is entered in the commercial register, but at least until 16 weeks after the close of the Annual General Meeting in 2018. The amount of the annual tranches is determined by dividing the target variable remuneration for each beneficiary by a reference value. The reference value is the arithmetic mean closing price of the Deutsche Wohnen share on the 30 days before the respective share options are issued.

The subscription rights may be exercised for the first time after the expiration of four years (waiting period) and thereafter within three years (exercise period) and expire upon the expiration of the relevant period.

Subscription rights can only be exercised if the following conditions are met:

- the service contract concluded with the beneficiary is not terminated during the waiting period on grounds for which the latter is responsible (section 626(1) of the German Civil Code (Bürgerliches Gesetzbuch – BGB)) and
- the performance targets "adjusted NAV per share" (40% weighting), "FFO (without disposals) per share" (40% weighting) and "share price" (20% weighting) have been attained.

The performance targets for each individual tranche of the share options relate to the development of the (i) "adjusted NAV per share", (ii) "FFO (without disposals) per share" and (iii) "share price", as compared to the "adjusted EPRA/NAREIT Germany Index", calculated in accordance with the following provisions.

Within each of the above performance targets there is a minimum target that must be achieved for the exercise of half the share options for this target, and a maximum target which allows all the share options for this performance target to be exercised. The minimum is set at a performance of 75% and the maximum at 150% across all individual targets. The respective minimum and maximum targets are set by the company based on its four-year planning before the annual tranche of share options is issued. Subject to special rules if the beneficiary's service or employment contract ends before the close of the waiting period, the number of share options that can be exercised per tranche is equal to the total number of share options in that tranche multiplied by the total percentage of achievement of one or more performance targets as defined above and weighted by performance target as defined above, to compensate for any different achievement of performance targets in favour of the beneficiaries.

At the end of the waiting period, the number of the subscription rights eligible for allocation to each beneficiary is calculated on the basis of the degree of attainment of the performance targets. The beneficiary must pay EUR 1 per share to purchase the shares (exercise the allocated subscription rights). The shares purchased by exercising the option have full voting and dividend rights.

No subscription rights were awarded under the AOP 2014 share option programme in the reporting year (previous year: no subscription rights awarded), so 64,857 subscription rights were outstanding at year-end (previous year: 130,960). The impact of the AOP on the Group's financial performance in both periods was immaterial.

10 Finance expenses

Finance expenses are made up as follows:

EUR m	2020	2019
Current interest	–145.8	–135.5[1]
Accrued interest on liabilities and pensions	–30.7	–25.9[1]
Capitalised interest expenses	8.8	5.6
Non-recurring expenses in connection with financing	–4.0	–13.1
	–171.7	**–168.9**

1 Previous year's figure changed due to exercise of IAS 23 option

The average interest rate for capitalised interest expenses was 1.4% (previous year: 1.4%).

11 Net income from fair value adjustment to financial instruments

Net income from the fair value adjustment consists of negative fair value adjustments to the convertible bonds of EUR 96.2 million (previous year: EUR 58.0 million in positive adjustments), negative value adjustments to derivative financial instruments of EUR 15.6 million (previous year: EUR 29.5 million negative adjustments) and positive adjustments to financial investments classified as financial instruments of EUR 4.9 million (previous year: EUR 0.0 million).

12 Earnings from investments accounted for using the equity method

Earnings from investments accounted for using the equity method came to EUR 8.9 million (previous year: EUR 2.8 million). The increase is principally due to the first equity adjustment for the interests held in the QUARTERBACK Group. For further information see Note B.3 "Disclosure on interests in other companies".

13 Income taxes

Companies which are domiciled in Germany and structured as a limited liability company are subject to German corporation tax at a rate of 15% and a solidarity surcharge of 5.5% of the corporation tax levied. These companies are also subject to trade tax, which is levied at different rates set by the local authority. Companies structured as limited partnerships are only subject to trade tax. The profit less trade tax is attributed to the limited partners for corporation tax purposes. Limited use of corporation and trade tax loss carry-forwards is to be taken into account from the assessment period 2004 onwards. As a result, a positive tax assessment basis up to EUR 1 million may be reduced by an existing loss carryforward without limitation; amounts in excess thereof may at most be reduced to 60% by an existing loss carryforward.

The anticipated nominal income tax rate for 2020 for Deutsche Wohnen SE as the parent company of the Group is 30.18% (previous year: 30.18%).

The income tax expense/benefit comprises the following:

EUR m	2020	2019
Current tax expense	**–71.0**	**–18.9**
Tax expense resulting from capital increase-related costs	**0.0**	**–0.1**
Deferred tax expense		
Properties	–605.9	–531.3
Tax loss carryforwards	–46.8	49.7
Loans	4.1	6.1
Convertible bonds	14.0	–5.3
Interest rate hedges	–0.4	4.6
Pensions	–1.3	–0.1
Other	8.1	–8.4
	–628.2	**–484.6**
	–699.2	**–503.7**

The reconciliation of tax expense/benefit is provided in the following overview:

EUR m	2020	2019
Net income before taxes	2,243.7	2,104.6
Applicable tax rate	30.18%	30.18%
Resulting tax expense	–677.0	–635.1
Permanent effects of non-deductible expenses, trade tax corrections and tax-free income	31.2	90.2
Change in unrecognised deferred taxes on tax loss carryforwards and temporary differences.	–25.6	96.0
Income taxes from other periods	–0.8	–15.5
Other effects	–27.0	–39.3
	–699.2	**–503.7**

The amount of current income taxes for the financial year 2020 includes income from other periods of EUR –0.8 million (previous year: EUR –15.5 million). Of the EUR –25.6 million change in unrecognised deferred taxes on loss carryforwards and accrued temporary differences, EUR 0.1 million reduced current tax expenses (previous year: EUR 1.5 million).

F Segment reporting

Deutsche Wohnen reports by business segments on the basis of the information provided to the decision-makers of the Deutsche Wohnen Group.

Deutsche Wohnen concentrates its business operations on the following four main areas:

Residential Property Management

The main commercial activity of Deutsche Wohnen is the active asset management of residential properties. Asset management comprises the modernisation and maintenance of Deutsche Wohnen's property portfolio, the management of tenancy agreements, tenant support and the marketing of apartments. The focus of property management is on the optimisation of rental income. Opportunities with the potential for rent increases are therefore examined continuously in the course of maintenance work, changes in tenants are used to add value and supply services are purchased and charged on to tenants with the aim of achieving the greatest possible savings. The Residential Property Management segment also consists of new construction activities, mainly project development for the Group's own portfolio.

Disposals

The Disposals segment is another pillar of the Deutsche Wohnen Group's operating business. Privatisation can take the form of either an individual privatisation transaction, i.e. the sale of an individual residential unit (for example, to a tenant), or block sales.

The Disposals segment covers all aspects of preparing and closing sales of residential units from the Group's own assets in the course of optimising and streamlining the portfolio.

Apartments may also be privatised in connection with the future purchase of portfolios, in order to streamline them and for financing purposes.

Certain residential units, particularly in Rhineland-Palatinate, and individual holdings of the GEHAG Group as well as the BauBeCon Group are subject to privatisation restrictions due to the acquisition agreements. In light of these obligations, the Group is bound by certain rules in some cases (for example, sales to tenants, general social conditions, etc.) when making privatisation decisions. In some cases the restrictions also stipulate that none of the assets concerned may be sold for a certain period.

Nursing Operations

The Nursing Operations segment comprises the investments in KATHARINENHOF and PFLEGEN & WOHNEN HAMBURG. The services offered by the Nursing Operations consist of marketing and managing nursing and assisted living facilities and support services provided to the elderly people living in the properties.

Nursing Assets

Earnings contributions from leases with internal and external operators of nursing facilities are presented in the Nursing Assets segment.

Internal transactions mainly consist of management contracts and leases for nursing assets operated by the Group on standard market terms.

The segment reporting is attached to the notes to the consolidated financial statements as Appendix 2.

The segment earnings correspond to the respective sub-totals in the consolidated income statement. The following table shows the reconciliation of the segment earnings with the net income for the period shown in the consolidated income statement:

2020

EUR m	Group	Residential Property Management	Disposals	Nursing Operations	Nursing Assets	Other
Income from Residential Property Management	1,197.8	1,197.7	0.0	0.0	0.0	0.1
Income from Nursing Operations	226.1	0.0	0.0	226.1	0.0	0.0
Rental income from Nursing Assets	38.2	0.0	0.0	0.0	38.2	0.0
Other income	21.7	0.1	0.0	0.0	0.0	21.6
Income from sold properties	1,251.6	0.0	1,251.6	0.0	0.0	0.0
Carrying amount of properties sold	–1,221.0	0.0	–1,221.0	0.0	0.0	0.0
Income from sold properties (development)	6.8	6.8	0.0	0.0	0.0	0.0
Carrying amount of properties sold (development)	–7.3	–7.3	0.0	0.0	0.0	0.0
Earnings from disposals	30.1	–0.5	30.6	0.0	0.0	0.0
Cost of materials and services	–540.6	–477.9	–8.9	–40.8	–3.0	–10.0
Staff expenses	–231.8	–16.7	–1.3	–140.1	0.0	–73.7
Other operating expenses	–104.0	–6.1	0.0	–11.5	0.0	–86.4
Other operating income	56.3	30.1	0.0	13.8	0.1	12.3
	693.8	**726.7**	**20.4**	**47.5**	**35.3**	**–136.1**
Depreciation, amortisation and impairment	–40.0	0.0	0.0	0.0	0.0	–40.0
Gains/losses from the fair value adjustment of investment properties	1,856.4	0.0	0.0	0.0	0.0	1,856.4
Impairment losses on financial assets	–7.1	–6.3	0.0	–0.6	–0.2	0.0
Earnings before interest and taxes (EBIT)/ Segment earnings	**2,503.1**	**720.4**	**20.4**	**46.9**	**35.1**	**1,680.3**
Finance income	10.3					
Finance expenses	–171.7					
Net income from fair value adjustment to financial instruments	–106.9					
Earnings from investments accounted for using the equity method	8.9					
Earnings before taxes (EBT)	**2,243.7**					
Income taxes	–699.1					
Profit/loss for the period	**1,544.6**					

2019

EUR m	Group	Residential Property Management	Dis-posals	Nursing Opera-tions	Nursing Assets	Other
Income from Residential Property Management	1,191.7	1,191.7	0.0	0.0	0.0	0.0
Income from Nursing Operations	222.9	0.0	0.0	222.9	0.0	0.0
Rental income from Nursing Assets	45.5	0.0	0.0	0.0	45.5	0.0
Other income	18.6	0.0	0.0	0.0	0.0	18.6
Income from sold properties	767.3	0.0	767.3	0.0	0.0	0.0
Carrying amount of properties sold	–569.6	0.0	–569.6	0.0	0.0	0.0
Income from sold properties (development)	0.0	0.0	0.0	0.0	0.0	0.0
Carrying amount of properties sold (development)	0.0	0.0	0.0	0.0	0.0	0.0
Earnings from disposals	197.7	0.0	197.7	0.0	0.0	0.0
Cost of materials and services	–530.4	–470.2	–10.0	–40.5	–2.5	–7.2
Staff expenses	–211.6	–12.7	–1.5	–129.3	0.0	–68.1
Other operating expenses	–154.7	–3.5	–0.1	–11.1	0.0	–140.0
Other operating income	96.5	26.1	0.0	4.3	0.0	66.1
	876.2	**731.4**	**186.1**	**46.3**	**43.0**	**–130.6**
Depreciation, amortisation and impairment	–42.9	0.0	0.0	0.0	0.0	–42.9
Gains/losses from the fair value adjustment of investment properties	1,401.1	0.0	0.0	0.0	0.0	1,401.1
Impairment losses on financial assets	–3.1	–1.6	0.0	–1.0	0.0	–0.5
Earnings before interest and taxes (EBIT)/ Segment earnings	**2,231.3**	**729.8**	**186.1**	**45.3**	**43.0**	**1,227.1**
Finance income	10.9					
Finance expenses	–168.9					
Net income from fair value adjustment to financial instruments	28.5					
Earnings from investments accounted for using the equity method	2.8					
Earnings before taxes (EBT)	**2,104.6**					
Income taxes	–503.7					
Profit/loss for the period	**1,600.9**					

G Notes on the statement of cash flows

The consolidated statement of cash flows shows how the Group's cash position has changed during the financial year due to the inflow and outflow of funds. It is broken down into cash flow from operating activities, investing and financing activities in line with IAS 7 Statement of Cash Flows.

Other non-cash operating income and expenses mainly include carrying profits from disposals (2020: EUR 4.4 million; previous year: EUR 146.1 million). In total, Deutsche Wohnen received EUR 1,321.6 million (previous year: EUR 795.2 million) from property disposals. Payments for property investments include payments for modernisation work and the acquisition of investment properties and land and buildings held for sale.

The Group has funds amounting to EUR 430.3 million (previous year: EUR 438.6 million) at its disposal from existing financing commitments that have not been utilised as at the reporting date.

Cash flows from investing and financing activities are determined when payments are made. The cash flow from operating activities in contrast is indirectly derived from the Group's profit/loss.

The changes in liabilities arising out of finance leases during the financial year 2020 were as follows:

EUR m			Non-cash changes			
	Opening balance Balance sheet	Cash changes	Change in the basis of consolidation	Change in fair value	Accruals and deferrals	Closing balance Balance sheet
Financial liabilities	6,327.7	38.5	138.1	0.0	20.8	6,525.1
Convertible bonds	1,682.8	0.0	0.0	85.9	0.0	1,768.7
Corporate bonds	2,014.1	1,124.4	0.0	0.0	–8.9	3,129.6
Total	**10,024.6**	**1,162.9**	**138.1**	**85.9**	**11.9**	**11,423.4**

H Earnings per share

In order to calculate the basic earnings per share, the consolidated earnings are divided by the weighted number of shares outstanding in the financial year.

The diluted and undiluted earnings amount to:

EUR m	2020	2019
Group profit/loss to calculate undiluted earnings	1,502.7	1,529.5
Correction: interest from the convertible bond (after tax)	5.2	5.2
Correction: measurement effect from the convertible bond (after tax)	67.2	–40.5
Adjusted group profit/loss to calculate diluted earnings	**1,575.1**	**1,494.2**

The average number of issued shares (diluted and undiluted) amounts to:

k units	2020	2019
Issued shares, opening balance	357,087	357,014
Addition of issued and own shares purchased in the financial year	–13,314	73
Issued shares, Closing balance	347,773	357,087
Average number of issued shares, undiluted	**347,851**	**357,087**
Number of diluting shares due to exercise of conversion rights and share option programme	33,189	32,899
Average number of issued shares, diluted	**381,040**	**390,986**

The earnings per share amount to:

EUR	2020	2019
Earnings per share		
Undiluted	4.32	4.27
Diluted	4.13	3.82

In 2020 a dividend of EUR 312.6 million or EUR 0.90 per share was paid out for the financial year 2019. A cash dividend of EUR 1.03 per share is planned for the financial year 2020. Based on the number of shares outstanding as at 31 December 2020 and assuming that no shareholders vote for a share dividend, this corresponds to a total dividend distribution of EUR 354.1 million.

I Other disclosures

1 Disclosures on financial instruments

Financial risk management

The management of financial risks is an integral part of the risk management system and as such a tool for achieving the company's primary objective of ensuring the profitability of Deutsche Wohnen – which is mainly focused on the management and development of its own residential holdings – on a sustained basis. For a detailed description of the general risk management system please refer to the section on risks and opportunities in the Group management report.

The measures relating to financial risk management are described below:

The main financial instruments used by the Group – apart from derivative financial instruments and equity instruments – are bank loans, convertible bonds, corporate bonds, registered bonds, bearer bonds, and cash and cash equivalents. The primary purpose of these financial instruments is to finance the Group's business activities. The Group has various other financial assets and liabilities, such as trade receivables and payables that are created directly by its commercial activities.

The Group also carries out derivative transactions in the form of interest rate swaps and floors. The purpose of these derivative financial instruments is to manage interest rate risks that result from the Group's business activities and its sources of finance. There has been no trading of interest rate swaps, nor will there be any future trading in this area.

The tables below show the categorisation of financial instruments into the corresponding classes as per IFRS 7.6 and the allocation to measurement categories as defined in IAS 9:

31/12/2020

EUR m	IFRS 9 measurement category	Measured at amortised costs		At fair value	Value recognised in the balance sheet as per IAS 16/IAS 28	Total balance sheet items
		Carrying amount	Fair value	Carrying amount	Carrying amount	Carrying amount
Trade receivables	AC	35.9	35.9	–	–	35.9
Other assets						
Equity instruments	FVOCI	–	–	0.5	–	0.5
Equity instruments	FVtPL	–	–	22.6	–	22.6
Shares in associates and joint ventures	n/a	–	–	–	365.8	365.8
Lending	AC	0.8	0.8	–	–	0.8
Lease receivables	n/a	–	–	–	28.7	28.7
Other financial assets	AC	350.2	350.2	–	–	350.2
Derivative financial instruments						
Interest rate hedges (no hedge accounting)	FVtPL	–	–	2.6	–	2.6
Cash flow hedges (interest rate swaps)	n/a	–	–	–	–	–
Cash and cash equivalents	AC	583.3	583.3	–	–	583.3
Total financial assets		**970.2**	**970.2**	**25.7**	**394.5**	**1,390.4**
Financial liabilities	AC	6,525.1	6,798.7	–	–	6,525.1
Convertible bonds	FVtPL	–	–	1,768.7	–	1,768.7
Corporate bond	AC	3,129.6	3,486.5	–	–	3,129.6
Trade payables	AC	362.0	362.0	–	–	362.0
Other liabilities						
Lease liabilities	n/a	–	–	–	148.7	148.7
Other financial liabilities	AC	249.9	249.9	–	–	249.9
Derivative financial instruments						
Interest rate hedges (no hedge accounting)	FVtPL	–	–	32.5	–	32.5
Cash flow hedges (interest rate swaps)	n/a	–	–	24.8	–	24.8
Total financial liabilities		**10,266.6**	**10,897.1**	**1,826.0**	**148.7**	**12,241.3**

AC – Financial assets and financial liabilities valued at amortised costs (Amortised Cost)
FVtPL – Measured at fair value through profit and loss (Fair Value through Profit and Loss)
FVOCI – Measured at fair value through equity (Fair Value through Other Comprehensive Income)

31/12/2019

EUR m	IFRS 9 measure-ment category	Measured at amortised costs		At fair value	Value recog-nised in the balance sheet as per IAS 16/IAS 28	Total balance sheet items
		Carrying amount	Fair value	Carrying amount	Carrying amount	Carrying amount
Trade receivables	AC	24.9	24.9	–	–	24.9
Other assets						
Equity instruments	FVOCI	–	–	2.3	–	2.3
Shares in associates and joint ventures	n/a	–	–	–	22.6	22.6
Lending	AC	4.1	4.1	–	–	4.1
Lease receivables	n/a	–	–	–	28.7	28.7
Other financial assets	AC	98.2	98.2	–	–	98.2
Derivative financial instruments						
Interest rate hedges (no hedge accounting)	FVtPL	–	–	1.3	–	1.3
Cash flow hedges (interest rate swaps)	n/a	–	–	–	–	–
Cash and cash equivalents	AC	685.6	685.6	–	–	685.6
Total financial assets		**812.8**	**812.8**	**3.6**	**51.3**	**867.6**
Financial liabilities	AC	6,327.7	6,604.8	–	–	6,327.7
Convertible bonds	FVtPL	–	–	1,682.8	–	1,682.8
Corporate bond	AC	2,014.1	2,117.4	–	–	2,014.1
Trade payables	AC	300.5	300.5	–	–	300.5
Other liabilities						
Lease liabilities	n/a	–	–	–	169.4	169.4
Other financial liabilities	AC	281.3	281.3	–	–	281.3
Derivative financial instruments						
Interest rate hedges (no hedge accounting)	FVtPL	–	–	33.2	–	33.2
Cash flow hedges (interest rate swaps)	n/a	–	–	18.9	–	18.9
Total financial liabilities		**8,923.6**	**9,304.0**	**1,734.9**	**169.4**	**10,827.9**

AC – Financial assets and financial liabilities valued at amortised costs (Amortised Cost)
FVtPL – Measured at fair value through profit and loss (Fair Value through Profit and Loss)
FVOCI – Measured at fair value through equity (Fair Value through Other Comprehensive Income)

The fair value of the financial assets and liabilities was measured for the purpose of valuation and the disclosures in the notes on the basis of Level 2 of the fair value hierarchy – with the exception of liabilities for employees' put options and equity instruments (Level 3).

The DCF valuation method based on observable market parameters, in particular market interest rates, was used for the derivatives. The fair value of the convertible bonds was measured using the listed prices for the securities. Liabilities for put options represent discounted, contractually agreed purchase prices, which can be derived from predictable future cash flows.

The following table shows the contractual, undiscounted payments:

31/12/2020

EUR m	Carrying amount				Maturities
		2021	2022	2023	>2024
Original financial liabilities					
Financial liabilities	6,525.1	140.1	169.4	872.4	5,900.1
Convertible bonds	1,768.7	7.4	7.4	7.4	1,617.0
Corporate bond	3,129.6	244.5	44.5	44.5	3,271.7
Trade payables	429.9	362.0	48.7	1.0	18.2
Other liabilities					
Liabilities from finance leases	148.7	23.7	19.5	18.6	140.1
Other financial liabilities	249.9	87.1	0.0	0.0	162.8
Derivative financial liabilities	**57.3**	**8.9**	**9.7**	**9.3**	**28.3**
Total	**24.8**	**873.8**	**299.3**	**953.3**	**11,138.2**

31/12/2019

EUR m	Carrying amount				Maturities
		2020	2021	2022	>2023
Original financial liabilities					
Financial liabilities	6,327.7	120.0	100.5	247.8	3,997.5
Convertible bonds	1,682.8	7.4	7.4	7.4	1,624.4
Corporate bond	2,014.1	508.9	26.3	26.3	1,744.7
Trade payables	300.5	267.0	8.5	8.5	16.5
Other liabilities					
Liabilities from finance leases	169.4	23.4	22.8	18.5	171.2
Other financial liabilities	281.3	127.5	0.0	0.0	153.7
Derivative financial liabilities	**52.1**	**8.8**	**10.0**	**8.7**	**25.0**
Total	**10,827.9**	**1,096.6**	**166.9**	**308.8**	**7,716.6**

The profits and losses from financial assets and liabilities are as follows:

31/12/2020

EUR m	IFRS 9 measurement category	From interests	From dividends	From subsequent valuations			From disposals	From components of other comprehensive income	Net income
				At fair value	Write-down	Write-back			
Financial assets and financial liabilities at amortised costs	AC	–139.7	–2.0	0.0	–2.6	1.3	–3.5	–5.0	–151.5
At fair value through profit or loss	FVtPL	–27.7	0.0	–107.1	0.0	0.0	0.0	0.0	–134.8
At fair value through other comprehensive income	FVOCI	0.0	0.0	10.3	–3.5	0.0	0.0	0.0	6.8
Total		**–167.5**	**–2.0**	**–96.8**	**–6.0**	**1.3**	**–3.5**	**–5.0**	**–279.5**

31/12/2019

EUR m	IFRS 9 measurement category	From interests	From dividends	From subsequent valuations			From disposals	From components of other comprehensive income	Net income
				At fair value	Write-down	Write-back			
Financial assets and financial liabilities at amortised costs	AC	–148.6	0.0	0.0	–0.3	2.0	–5.3	–2.2	–154.4
At fair value through profit or loss	FVtPL	–22.6	0.0	28.5	0.0	0.0	0.0	0.0	5.9
At fair value through other comprehensive income	FVOCI	0.0	0.0	–43.6	–1.5	0.0	–0.3	0.0	–45.4
Total		**–171.2**	**0.0**	**–15.1**	**–1.8**	**2.0**	**–5.5**	**–2.2**	**–193.9**

AC – Financial assets and financial liabilities valued at amortised costs (Amortised Cost)
AfS – Financial assets available for disposal (Available for Sale)
FVtPL – Measured at fair value through profit and loss (Fair Value through Profit and Loss)
FVOCI – Measured at fair value through equity (Fair Value through Other Comprehensive Income)
LaR – Loans and Receivables
FAHfT – Financial assets assessed at fair value and recognised in profit/loss (Financial Assets Held for Trade)
FLaC – Financial liabilities carried forward at amortised cost (Financial Liabilities at Cost)
FLHfT – Liabilities assessed at fair value and recognised in profit/loss (Financial Liabilities Held for Trade)

Changes in the fair value of convertible bonds resulting from counterparty risk are recognised in other comprehensive income.

The main risks to the Group from financial instruments consist of interest rate-related cash flow, liquidity, default and market risks. Company management draws up and reviews risk management guidelines for each of these risks, which are described below:

Default risk

Default risk, or the risk that a counterparty does not meet their payment obligations, are addressed by means of credit lines and monitoring procedures. The company obtains collateral where appropriate. There is no significant concentration of default risk at Deutsche Wohnen, either for a single counterparty or for a group of counterparties with similar characteristics. The maximum default risk is the recognised carrying amount of the financial assets.

Liquidity risk

The Group monitors the risk of a liquidity shortfall on a daily basis using a liquidity planning tool. This tool takes into account the inflows and outflows of cash from the operating activities and payments relating to financial liabilities.

Deutsche Wohnen seeks to ensure that sufficient liquidity is available to meet future obligations at all times. Deutsche Wohnen currently has a debt capital ratio of approximately 55% (previous year: 53%) and a loan-to-value ratio of 37.0% (previous year: 35.4%).

Interest rate-related cash flow risks

The interest rate risk to which the Group is exposed is mainly derived from non-current financial liabilities with floating interest rates.

The Group's interest expenses are managed by a combination of fixed-interest and floating-rate debt. To structure this combination cost-efficiently the Group arranges interest rate swaps, which entail the Group swapping the difference between fixed and floating interest rates with the counterparty for an agreed nominal amount at regular intervals. These interest rate swaps hedge the underlying debt. Accordingly, interest rate risk only exists for floating-rate financial liabilities that are not hedged by interest rate swaps. Applied to these financial liabilities, an increase/reduction of 0.5% in the interest rate on the balance sheet date would have resulted in an increase/a reduction in the interest expenses of EUR 4.8 million/EUR 1.8 million (previous year: EUR 5.3 million/EUR –2.5 million). Applied to the derivative financial instruments, an increase/reduction of 0.5% in the interest rate on the balance sheet date would have resulted in an increase/a reduction in the interest expenses of EUR 15.3 million/EUR –17.4 million (previous year: EUR 22.2 million/EUR –23.3 million). Applied to the other comprehensive income, an interest adjustment in the same amount would have resulted in an increase/a reduction of EUR 9.5 million/EUR –9.9 million (previous year: EUR 10.4 million/EUR –10.9 million).

Market risk

Deutsche Wohnen's financial instruments not carried at fair value primarily include cash and cash equivalents, trade receivables, lease receivables, other current assets, financial liabilities, trade payables and other liabilities.

The carrying amount of cash and cash equivalents is very close to its fair value due to the short maturity of these financial instruments. The carrying amount of receivables and liabilities on normal commercial credit terms is based on cost, which is also very close to their fair value.

Fair value risks may arise for fixed interest rate and hedged loans if the market interest rate falls below the interest rates agreed for the Group's loans. In this case Deutsche Wohnen generally negotiates with the banks, and adjusts and refinances loans to avoid any detrimental interest rates.

Netting of financial assets and financial liabilities

Financial assets and liabilities will only be netted pursuant to global netting agreements where an enforceable legal offset right exists on the balance sheet date and settlement on a net basis is planned. Where a claim for netting is not enforceable in the ordinary course of business, the global netting agreement will only give rise to a conditional offset right. In this case the financial assets and liabilities are shown in the balance sheet at their gross amounts on the reporting date.

Deutsche Wohnen enters into financial futures transactions as a means of hedging against cash flow risks. These derivatives are based on standardised netting agreements with the banks, which may give rise to a contingent offset right and the presentation of futures transactions on a gross basis on the reporting date.

Claims arising out of operating costs which have not yet been accounted for in the amount of EUR 342.3 million (previous year: EUR 356.2 million) were offset against instalments on advance payments of operating costs in the amount of EUR 355.7 million (previous year: EUR 372.4 million) on the balance sheet for the financial year 2020. There are no contingent rights to offset derivatives against liabilities from derivatives.

2 Capital management

The prime objective of the Group's capital management is to ensure that it maintains a good credit rating and a good equity ratio to support its business operations and maximise shareholder value.

Management of the capital structure takes liabilities to banks and other lenders and cash holdings into account.

The key figures for capital management are:
- the equity/debt ratio and the leverage ratio

The Group aims to achieve an equity ratio of 40%. Future investments are therefore also made on the basis of a balanced financing structure. The equity ratio as of the reporting date income was 45% (previous year: 47%).
- Loan-to-Value ratio

The ratio of financial liabilities to the value of the investment properties is defined as the loan-to-value ratio.

EUR m	31/12/2020	31/12/2019
Financial liabilities	6,525.1	6,327.7
Convertible bonds	1,768.7	1,682.8
Corporate bonds	3,129.6	2,014.1
	11,423.4	**10,024.6**
Cash and cash equivalents	–583.3	–685.6
Net financial liabilities	**10,840.1**	**9,339.0**
Investment properties	28,069.5	25,433.3
Less right-of-use assets held as investment properties from leases	–51.6	–62.8
Non-current assets held for sale	163.6	571.2
Land and buildings held for sale	472.2	468.9
Investments in property and land-owning companies	361.9	4.6[1]
Loans to property and land-owning companies	252.3	0.0[1]
	29,267.9	**26,415.2**[1]
Loan-to-Value ratio in %	**37.0**	**35.4**

1 Calculation method has been changed to include equity investments in and loans to property companies.

3 Events after the balance sheet date

As part of the further development of new construction activities, Isaria München Projektentwicklungs GmbH was sold to QUARTERBACK Immobilien Group for EUR 12.5 million in the first quarter of 2021, so that new construction competencies of Deutsche Wohnen Group are merged into the QUARTERBACK Immobilien Group.

On the 30 September 2019 the Data Privacy and Freedom of Information Officer imposed a fine on Deutsche Wohnen SE due to the allegation of breaches of the EU General Data Protection Regulation (GDPR). The alleged infringements relate to a data archival solution that Deutsche Wohnen SE has already replaced. In response to the company's appeal, the district court discontinued the proceedings in February 2021 because the penalty notice was invalid. The Data Privacy and Freedom of Information Officer immediatly lodged a complaint with regrad to the decision of the berlin district court.

We are not aware of any other material events after the reporting date.

4 Other financial obligations and contingent liabilities

Other financial obligations of EUR 32.8 million in total result from management contracts for IT services (previous year: 16.2 million).

In addition, there are current obligations of EUR 414.8 million (previous year: EUR 219.0 million) resulting from the acquisition of a number of property portfolios. Order commitments and investment obligations resulted in financial obligations of EUR 265.2 million (previous year: EUR 168.7 million) and EUR 656.7 million (previous year: EUR 562.5 million) respectively.

One Group company (Rhein-Pfalz Wohnen GmbH) has been certified as a refurbishment and development agency (sections 158 and 167 of the German Federal Building Code (Baugesetzbuch – BauGB). Rhein-Pfalz Wohnen GmbH performs the duties incumbent upon it as the trustee of the local authorities.

In the GSW subgroup there are land charges in connection with building obligations for a total of EUR 10.6 million (previous year: EUR 10.6 million).

Employees of F&W Fördern & Wohnen AöR – formerly pflegen & wohnen AöR -, who started their employment before 31 July 2001 have or will have additional benefit entitlements under legislation known as HmbZVG. After the spin-out and subsequent privatisation of PFLEGEN & WOHNEN HAMBURG GmbH on 01 November 2005 F&W and the buyers of the shares in PFLEGEN & WOHNEN HAMBURG GmbH agreed to divide the entitlements to company retirement benefits. All entitlements acquired up to 31 December 2005 are to be covered by F&W or the Free and Hanseatic City of Hamburg. Entitlements acquired after this date are covered by PFLEGEN & WOHNEN HAMBURG GmbH, Hamburg. PFLEGEN & WOHNEN HAMBURG GmbH, Hamburg, recognises retirement benefit provisions for its share. F&W and PFLEGEN & WOHNEN HAMBURG GmbH have taken on joint and several liability for these obligations, so that each company is also liable for the entitlements covered by the other. In the event that F&W becomes insolvent, PFLEGEN & WOHNEN HAMBURG GmbH has a contractual right to claim the entitlements covered by F&W from the Free and Hanseatic City of Hamburg, so there is no economic risk that PFLEGEN & WOHNEN HAMBURG GmbH will have to stand in for these entitlements. The entitlements covered by F&W come to EUR 21.4 million as of 31 December 2020 (previous year: EUR 21.3 million).

5 Services provided by the auditors

The auditor of Deutsche Wohnen SE and the Group is KPMG AG Wirtschaftsprüfungsgesellschaft. The following net expenses were incurred in the reporting year.

EUR thousand	2020	2019
Audit services	1,561	1,298
Other assurance work	87	86
Other services	202	18
	1,850	**1,401**

6 Related party disclosures

A related party is a person or entity that has control over the Deutsche Wohnen Group or significant influence over its financial and commercial policies. The following control relationships were taken into account when determining the significant influence that related parties of the Deutsche Wohnen Group have over its financial and commercial policies.

Related entities

The affiliates, joint ventures and associates included in the consolidated financial statements are related entities.

Transactions with related entities

Please refer to B.3 "Disclosure on interests in other companies" for an overview of transactions between the QUARTERBACK Group as a material joint venture and the Deutsche Wohnen Group.

Related persons

Related persons are the members of the Management Board and Supervisory Board and their close family members.

Members of the Management Board of Deutsche Wohnen SE

In financial year 2020 the Management Board was composed as follows:

Name	Occupation	Memberships of supervisory boards and other supervisory bodies within the meaning of section 125 para. 1, sentence 5, German Stock Corporation Act [Aktiengesetzt – AktG]
Michael Zahn Chair of the Management Board	Chief Executive Officer, CEO	• DIC Asset AG[1], Frankfurt/Main (Member of the Supervisory Board since 08/07/2020) • IOLITE IQ GmbH[2], Berlin (Member of the Supervisory Board) • PFLEGEN & WOHNEN HAMBURG GmbH[2], Hamburg (Deputy Chair of the Supervisory Board since 25/05/2020) • QUARTERBACK Immobilien AG[2], Leipzig (Member of the Supervisory Board since 14/08/2020, Deputy Chair of the Supervisory Board since 20/08/2020) • G+D Gesellschaft für Energiemanagement GmbH[2], Magdeburg (Chair of the Advisory Board) • Funk Schadensmanagement GmbH[2], Berlin (Chair of the Advisory Board) • DZ Bank AG, Frankfurt/Main (Member of the Advisory Board) • Füchse Berlin Handball GmbH, Berlin (Member of the Advisory Board) • GETEC Wärme & Effizienz GmbH, Magdeburg (Member of the Real Estate Advisory Board)
Philip Grosse	Chief Financial Officer, CFO	• GSW Immobilien AG[1, 2], Berlin (Chair of the Supervisory Board) • GEHAG GmbH[2], Berlin (Deputy Chair of the Supervisory Board) • Eisenbahn-Siedlungs-Gesellschaft Berlin mbH[2], Berlin (Chair of the Supervisory Board) • QUARTERBACK Immobilien AG[2], Leipzig (Member of the Supervisory Board since 14/08/2020) • Commerzbank AG[1], Frankfurt/Main (Member of the Regional Advisory Board East)
Henrik Thomsen	Chief Development Officer, CDO	none
Lars Urbansky	Chief Operating Officer, COO	• GEHAG GmbH[2], Berlin (Chair of the Supervisory Board) • Eisenbahn-Siedlungs-Gesellschaft Berlin mbH[2], Berlin (Member of the Supervisory Board) • GEHAG Vierte Beteiligung SE[2], Berlin (Member of the Supervisory Board)

1 Publicly listed company
2 Company in the Deutsche Wohnen Group

Members of the Supervisory Board of Deutsche Wohnen SE

In financial year 2020 the Supervisory Board was composed as follows:

Name	Occupation	Memberships of supervisory boards and other supervisory bodies within the meaning of section 125 para. 1, sentence 5, German Stock Corporation Act [Aktiengesetz – AktG]
Matthias Hünlein Chair	Managing Director Tishman Speyer Properties Deutschland GmbH, Frankfurt/Main	• Tishman Speyer Investment Management GmbH[1], Frankfurt/Main (Deputy Chair of the Supervisory Board)
Jürgen Fenk Deputy Chair since 05/06/2020	CEO Stone Holding SASU, Paris, Frankreich (Primonial Group)	• SIGNA Development Selection AG[1], Innsbruck, Austria (Member of the Supervisory Board) • GALERIA Karstadt Kaufhof GmbH[1], Essen (Member of the Supervisory Board until 26/02/2021)
Arwed Fischer	Member of various supervisory boards	• 6B47 Real Estate Investors AG, Vienna, Austria (Chair of the Supervisory Board) • SUMMIQ AG, Munich (Chair of the Supervisory Board) • Five Quarters Real Estate AG, Hamburg (Deputy Chair of the Supervisory Board)
Kerstin Günther since 05/06/2020	Managing Director of Helmholtz Zentrum Munich Deutsches Forschungs-zentrum für Gesundheit und Umwelt (GmbH), Munich	none
Tina Kleingarn	Partner of Westend Corporate Finance, Frankfurt/Main	none
Dr Florian Stetter	CEO of Rockhedge Asset Management AG, Krefeld	• C&P Immobilien AG, Graz, Austria (Member of the Supervisory Board) • Noratis AG, Eschborn (Deputy Chair of the Supervisory Board) • Historie & Wert Aktiengesellschaft, Wuppertal (Chair of the Supervisory Board) • Intelliway Services AD, Sofia, Bulgaria (Member of the Board of Directors)
Retired member of the Supervisory Board		
Dr Andreas Kretschmer Deputy Chair until 05/06/2020	Management consultant, Düsseldorf	none

1 Company belongs to a larger group

Transactions with related parties

There were no transactions with related parties in 2020.

7 Remuneration of the Management Board and Supervisory Board

The remuneration paid to the members of the Management Board and the Supervisory Board in accordance with their service contracts was as follows:

EUR m	2020	2019
Management Board remuneration		
Non-performance-related remuneration	2.3	2.2
Performance-related remuneration	3.4	3.0
Total	**5.7**	**5.2**
Supervisory Board remuneration		
Fixed remuneration components	0.8	0.7
Total	**0.8**	**0.7**

The non-performance-related components of Management Board remuneration include a fixed salary and a company car. The performance-based components comprise both short-term incentives, structured on a short-term and long-term basis, and long-term incentives.

Supervisory Board members only receive a fixed remuneration.

No provisions have been made for retirement benefits to active or former members of the Management Board or Supervisory Board.

With regard to all other matters, we refer to the remuneration report contained in the combined management report.

8 Corporate Governance

The Management Boards and the Supervisory Boards of Deutsche Wohnen SE and GSW Immobilien AG have issued a declaration of compliance with the German Corporate Governance Code in accordance with section 161 of the German Stock Corporation Act [Aktiengesetz – AktG] and made it permanently available to the shareholders online at www.deutsche-wohnen.com and www.gsw.de.

Berlin, 19 March 2021

Michael Zahn Chair of the Management Board	Philip Grosse Management Board	Henrik Thomsen Management Board	Lars Urbansky Management Board

Appendix 1 to the Notes to the consolidated financial statements

SHAREHOLDINGS [3]

as at 31 December 2020

Company and registered office	Agre of capital in %	Equity in EUR thousand	Profit/loss in EUR thousand	Reporting date
Subsidiaries, fully consolidated				
AGG Auguste-Viktoria-Allee Grundstücks GmbH, Berlin	100.00[1]	25.0	0.0	31/12/20
Algarobo Holding B.V., Baarn, Netherlands	100.00	23,663.4	–7.0	31/12/20
Alpha Asset Invest GmbH & Co. KG, Berlin	100.00[2]	753.8	250.9	31/12/20
Amber Dritte VV GmbH, Berlin	94.90[1]	–7,295.6	21.2	31/12/20
Amber Erste VV GmbH, Berlin	94.90[1]	–11,050.4	0.0	31/12/20
Amber Zweite VV GmbH, Berlin	94.90[1]	–11,830.2	283.3	31/12/20
Aragon 13. VV GmbH, Berlin	94.90[1]	–6,228.2	432.1	31/12/20
Aragon 14. VV GmbH, Berlin	94.90[1]	–10,598.0	694.9	31/12/20
Aragon 15. VV GmbH, Berlin	94.90[1]	–6,259.8	293.5	31/12/20
Aragon 16. VV GmbH, Berlin	94.90[1]	–9,637.6	0.0	31/12/20
Aufbau-Gesellschaft der GEHAG mit beschränkter Haftung, Berlin	100.00	8,596.0	561.9	31/12/20
BauBeCon BIO GmbH, Berlin	100.00[1]	8,626.5	0.0	31/12/20
BauBeCon Immobilien GmbH, Berlin	100.00[1]	686,438.3	208,404.6	31/12/20
BauBeCon Wohnwert GmbH, Berlin	100.00[1]	26,710.2	0.0	31/12/20
Beragon VV GmbH, Berlin	94.90[1]	–10,242.4	539.0	31/12/20
C. A. & Co. Catering KG, Wolkenstein	100.00	0.2	21.0	31/12/20
Ceragon VV GmbH, Berlin	94.90[1]	–7,835.3	253.0	31/12/20
Communication Concept Gesellschaft für Kommunikationstechnik mbH, Leipzig	100.00	3,449.3	1,615.5	31/12/19
DELTA VIVUM Berlin I GmbH, Berlin	94.90[1]	12,443.1	1,681.5	31/12/20
DELTA VIVUM Berlin II GmbH, Berlin	94.90[1]	–1,530.4	364.3	31/12/20
Deutsche Wohnen Asset Immobilien GmbH, Frankfurt/Main	100.00[1]	25.0	0.0	31/12/20
Deutsche Wohnen Berlin 5 GmbH, Berlin	94.90[1]	3,415.6	0.0	31/12/20
Deutsche Wohnen Berlin 6 GmbH, Berlin	94.90[1]	506.9	0.0	31/12/20
Deutsche Wohnen Berlin 7 GmbH, Berlin	94.90[1]	2,738.0	0.0	31/12/20
Deutsche Wohnen Berlin I GmbH, Berlin	94.00[1]	1,488.1	0.0	31/12/20
Deutsche Wohnen Berlin II GmbH, Berlin	94.90[1]	4,809.5	0.0	31/12/20
Deutsche Wohnen Berlin III GmbH, Berlin	94.90[1]	24,705.1	0.0	31/12/20
Deutsche Wohnen Berlin X GmbH, Berlin	94.80[1]	7,691.7	0.0	31/12/20
Deutsche Wohnen Berlin XI GmbH, Berlin	94.80[1]	7,504.6	0.0	31/12/20
Deutsche Wohnen Berlin XII GmbH, Berlin	94.80[1]	1,761.1	0.0	31/12/20
Deutsche Wohnen Berlin XIII GmbH, Berlin	94.80[1]	6,858.4	0.0	31/12/20
Deutsche Wohnen Berlin XIV GmbH, Berlin	94.80[1]	10,666.3	0.0	31/12/20
Deutsche Wohnen Berlin XV GmbH, Berlin	94.80[1]	12,102.0	0.0	31/12/20
Deutsche Wohnen Berlin XVI GmbH, Berlin	94.80[1]	6,596.9	0.0	31/12/20
Deutsche Wohnen Berlin XVII GmbH, Berlin	94.80[1]	5,914.2	0.0	31/12/20

1 Exersise of exemption provisions according to section 264 para. 3 German Commercial Code [Handelsgesetzbuch – HGB] due to inclusion in the consolidated financial statements
2 Exersise of exemption provisions according to section 264b German Commercial Code [Handelsgesetzbuch – HGB] due to inclusion in the consolidated financial statements
3 In addition, there is an indirect participation in a joint venture.

Company and registered office	Agre of capital in %	Equity in EUR thousand	Profit/loss in EUR thousand	Reporting date
Deutsche Wohnen Berlin XVIII GmbH, Berlin	94.80[1]	3,256.7	0.0	31/12/20
Deutsche Wohnen Beteiligungen Immobilien GmbH, Frankfurt/Main	100.00[1]	1,025.0	0.0	31/12/20
Deutsche Wohnen Beteiligungsverwaltungs GmbH & Co. KG, Berlin	100.00[2]	1,020.0	150.9	31/12/20
Deutsche Wohnen Construction and Facilities GmbH, Berlin	100.00[1]	275.0	0.0	31/12/20
Deutsche Wohnen Corporate Real Estate GmbH, Berlin	100.00[1]	25.0	0.0	31/12/20
Deutsche Wohnen Direkt Immobilien GmbH, Frankfurt/Main	100.00	1,956,626.9	–23.9	31/12/20
Deutsche Wohnen Dresden I GmbH, Berlin	100.00[1]	5,087.3	0.0	31/12/20
Deutsche Wohnen Dresden II GmbH, Berlin	100.00[1]	3,762.4	0.0	31/12/20
Deutsche Wohnen Fondsbeteiligungs GmbH, Berlin	100.00[1]	17,825.0	0.0	31/12/20
Deutsche Wohnen Immobilien Management GmbH, Berlin	100.00[1]	1,610.0	0.0	31/12/20
Deutsche Wohnen Kundenservice GmbH, Berlin	100.00[1]	25.7	0.0	31/12/20
Deutsche Wohnen Management GmbH, Berlin	100.00[1]	325.0	0.0	31/12/20
Deutsche Wohnen Management- und Servicegesellschaft mbH, Frankfurt/Main	100.00[1]	325.6	0.0	31/12/20
Deutsche Wohnen Multimedia Netz GmbH, Berlin	100.00[1]	638.0	0.0	31/12/20
Deutsche Wohnen Reisholz GmbH, Berlin	100.00[1]	3,563.5	0.0	31/12/20
Deutsche Wohnen Technology GmbH, Berlin (formerly: Deutsche Wohnen Beschaffung und Beteiligung GmbH, Berlin)	100.00[1]	25.0	0.0	31/12/20
Deutsche Wohnen Zweite Fondsbeteiligungs GmbH, Berlin	100.00[1]	64,025.2	0.0	31/12/20
DW Pflegeheim Dresden Grundstücks GmbH, Munich	100.00	3,035.7	214.9	31/12/20
DW Pflegeheim Eschweiler Grundstücks GmbH, Munich	100.00	4,507.3	94.3	31/12/20
DW Pflegeheim Frankfurt/Main Grundstücks GmbH, Munich	100.00[1]	6,083.9	0.0	31/12/20
DW Pflegeheim Friesenheim Grundstücks GmbH, Munich	100.00[1]	2,621.2	0.0	31/12/20
DW Pflegeheim Glienicke Grundstücks GmbH, Munich	100.00[1]	4,565.4	0.0	31/12/20
DW Pflegeheim Konz Grundstücks GmbH, Munich	100.00[1]	10,337.6	0.0	31/12/20
DW Pflegeheim Meckenheim Grundstücks GmbH, Munich	100.00	3,658.7	132.2	31/12/20
DW Pflegeheim Potsdam Grundstücks GmbH, Munich	100.00	2,626.2	290.8	31/12/20
DW Pflegeheim Siegen Grundstücks GmbH, Munich	100.00[1]	2,824.6	0.0	31/12/20
DW Pflegeheim Weiden Grundstücks GmbH, Munich	100.00[1]	4,456.4	0.0	31/12/20
DW Pflegeheim Würselen Grundstücks GmbH, Munich	100.00[1]	3,790.3	0.0	31/12/20
DW Pflegeresidenzen Grundstücks GmbH, Munich	100.00	27,707.1	–551.5	31/12/20
DW Property Invest GmbH, Berlin	100.00[1]	328.5	0.0	31/12/20
DWRE Alpha GmbH, Berlin	100.00[1]	343.8	0.0	31/12/20
DWRE Braunschweig GmbH, Berlin	100.00[1]	16,325.2	0.0	31/12/20
DWRE Dresden GmbH, Berlin	100.00[1]	25.0	0.0	31/12/20
DWRE Halle GmbH, Berlin	100.00[1]	25.0	0.0	31/12/20
DWRE Hennigsdorf GmbH, Berlin	100.00[1]	1,085.3	0.0	31/12/20

1 Exersise of exemption provisions according to section 264 para. 3 German Commercial Code [Handelsgesetzbuch – HGB] due to inclusion in the consolidated financial statements
2 Exersise of exemption provisions according to section 264b German Commercial Code [Handelsgesetzbuch – HGB] due to inclusion in the consolidated financial statements
3 In addition, there is an indirect participation in a joint venture.

Company and registered office	Agre of capital in %	Equity in EUR thousand	Profit/loss in EUR thousand	Reporting date
DWRE Leipzig GmbH, Berlin	100.00[1]	25.0	0.0	31/12/20
Eisenbahn-Siedlungs-Gesellschaft Berlin mit beschränkter Haftung, Berlin	94.90	11,889.8	0.0	31/12/20
EMD Energie Management Deutschland GmbH, Berlin	100.00[1]	30,022.8	0.0	31/12/20
Eragon VV GmbH, Berlin	94.90[1]	–9,170.2	0.0	31/12/20
FACILITA Berlin GmbH, Berlin	100.00	5,740.7	497.0	31/12/20
Faragon V V GmbH, Berlin	94.90[1]	–7,319.0	301.7	31/12/20
Fortimo GmbH, Berlin	100.00[1]	6,127.2	0.0	31/12/20
Gehag Acquisition Co. GmbH, Berlin	100.00	1,557,217.2	1,436.3	31/12/20
GEHAG Beteiligungs GmbH & Co. KG, Berlin	100.00[2]	21,912.1	271.7	31/12/20
GEHAG Dritte Beteiligungs GmbH, Berlin	100.00[1]	378.8	0.0	31/12/20
GEHAG Erste Beteiligungs GmbH, Berlin	100.00[1]	45.0	0.0	31/12/20
GEHAG Erwerbs GmbH & Co. KG, Berlin	99.99[2]	45,904.8	1,137.0	31/12/20
GEHAG GmbH, Berlin	100.00	2,522,634.0	52,820.3	31/12/20
GEHAG Grundbesitz I GmbH, Berlin	100.00[1]	26.0	0.0	31/12/20
GEHAG Grundbesitz II GmbH, Berlin	100.00[1]	25.0	0.0	31/12/20
GEHAG Grundbesitz III GmbH, Berlin	100.00[1]	25.0	0.0	31/12/20
GEHAG Vierte Beteiligung SE, Berlin	100.00[1]	20,220.5	0.0	31/12/20
GEHAG Zweite Beteiligungs GmbH, Berlin	100.00[1]	16,625.0	0.0	31/12/20
Geragon VV GmbH, Berlin	94.90[1]	–8,232.6	261.9	31/12/20
GGR Wohnparks Alte Hellersdorfer Straße GmbH, Berlin	100.00[1]	9,576.8	1,855.8	31/12/20
GGR Wohnparks Kastanienallee GmbH, Berlin	100.00[1]	44,153.0	5,207.7	31/12/20
GGR Wohnparks Nord Leipziger Tor GmbH, Berlin	100.00[1]	6,680.3	0.0	31/12/20
GGR Wohnparks Süd Leipziger Tor GmbH, Berlin	100.00[1]	3,390.2	0.0	31/12/20
Grundstücksgesellschaft Karower Damm mbH, Berlin	100.00[1]	1,099.3	0.0	31/12/20
GSW Acquisition 3 GmbH, Berlin	100.00[1]	91,798.9	11,357.7	31/12/20
GSW Corona GmbH, Berlin	100.00[1]	3,777.3	0.0	31/12/20
GSW-Fonds Weinmeisterhornweg 170–178 GbR, Berlin	78.19	–5,183.5	91.9	31/12/20
GSW Gesellschaft für Stadterneuerung mbH, Berlin	100.00	2,808.5	1,359.3	31/12/20
GSW Grundvermögens- und Vertriebsgesellschaft mbH, Berlin	100.00[1]	15,255.7	0.0	31/12/20
GSW Immobilien AG, Berlin	93.97	1,317,268.7	221,247.6	31/12/20
GSW Immobilien GmbH & Co. Leonberger Ring KG, Berlin	94.00[2]	454.5	22.3	31/12/20
GSW Pegasus GmbH, Berlin	100.00[1]	30,702.3	0.0	31/12/20
GSW Verwaltungs- und Betriebsgesellschaft mbH & Co. Zweite Beteiligungs KG, Berlin	93.44[2]	–8,009.3	1,019.4	31/12/20
Hamburger Ambulante Pflege- und Physiotherapie "HAPP" GmbH, Hamburg	100.00	–1,126.9	–469.4	31/12/20
Hamburger Senioren Domizile GmbH, Hamburg	100.00	2,496.3	373.0	31/12/20
Haragon VV GmbH, Berlin	94.90[1]	–5,441.7	177.8	31/12/20
Haus und Heim Wohnungsbau-GmbH, Berlin	100.00[1]	2,798.7	0.0	31/12/20
HESIONE Vermögensverwaltungsgesellschaft mbH, Frankfurt/Main	100.00	147.9	16.9	31/12/20

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2 Exersise of exemption provisions according to section 264b German Commercial Code [Handelsgesetzbuch – HGB] due to inclusion in the consolidated financial statements
3 In addition, there is an indirect participation in a joint venture.

Company and registered office	Agre of capital in %	Equity in EUR thousand	Profit/loss in EUR thousand	Reporting date
Holzmindener Straße/Tempelhofer Weg Grundstücks GmbH, Berlin	100.00[1]	25.0	0.0	31/12/20
HSI Hamburger Senioren Immobilien GmbH & Co. KG, Hamburg	100.00[2]	7,076.0	4,562.5	31/12/20
HSI Hamburger Senioren Immobilien Management GmbH, Hamburg	100.00	2,344.7	–0.7	31/12/20
Iragon VV GmbH, Berlin	94.90[1]	–6,250.5	486.9	31/12/20
ISABELL GmbH, Berlin (formerly: Brillant 3275. GmbH, Berlin)	100.00	135,965.3	–96,059.7	31/12/20
ISARIA Dachau Entwicklungsgesellschaft GmbH, Munich	100.00	13,325.7	–849.9	31/12/20
ISARIA Hegeneck 5 GmbH, Munich	100.00	393.7	79.1	31/12/20
Isaria Munich Projektentwicklungs GmbH, Munich (formerly: ISARIA Objekt Neu 02 GmbH, Munich)	100.00[1]	13,094.7	44.6	31/12/20
ISARIA Objekt Achter de Weiden GmbH, Munich	100.00	322.8	81.4	31/12/20
ISARIA Objekt Garching GmbH, Munich	100.00	30.7	7.8	31/12/20
ISARIA Objekt Hoferstraße GmbH, Munich	100.00	–798.7	–12.4	31/12/20
ISARIA Objekt Norderneyer Straße GmbH, Munich	100.00	17.9	–7.1	31/12/20
ISARIA Objekt Preußenstraße GmbH, Munich	100.00	–412.3	–717.3	31/12/20
ISARIA Objekt Schwedler Trio GmbH, Munich	100.00	–19,211.6	–18,792.9	31/12/20
ISARIA Stuttgart GmbH, Munich	100.00	539.4	4.0	31/12/20
Karagon VV GmbH, Berlin	94.90[1]	–5,639.0	127.2	31/12/20
KATHARINENHOF Seniorenwohn- und Pflegeanlage Betriebs-GmbH, Berlin	100.00	12,976.5	5,420.1	31/12/20
KATHARINENHOF Service GmbH, Berlin	100.00	25.0	0.0	31/12/20
Laragon VV GmbH, Berlin	94.90[1]	–10,089.9	0.0	31/12/20
Larry I Targetco (Berlin) GmbH, Berlin	100.00[1]	193,057.2	0.0	31/12/20
Larry II Targetco (Berlin) GmbH, Berlin	100.00[1]	520,878.6	0.0	31/12/20
LebensWerk GmbH, Berlin	100.00	457.1	0.0	31/12/20
Long Islands Investments S.A., Luxemburg	100.00	1,705.5	–405.1	31/12/20
Main-Taunus Wohnen GmbH & Co. KG, Eschborn	99.99[2]	9,893.4	5,547.3	31/12/20
Maragon VV GmbH, Berlin	94.90[1]	–2,528.3	0.0	31/12/20
Objekt Gustav-Heinemann-Ring GmbH, Munich	100.00	–1,538.4	–865.1	31/12/20
Omega Asset Invest GmbH, Berlin	100.00	48.7	11.0	31/12/20
PFLEGEN & WOHNEN HAMBURG GmbH, Hamburg	100.00	8,359.1	0.0	31/12/20
PFLEGEN & WOHNEN Service GmbH, Hamburg	100.00	307.3	119.4	31/12/20
PFLEGEN & WOHNEN Textil GmbH, Hamburg	100.00	467.8	114.9	31/12/20
PUW AcquiCo GmbH, Hamburg	100.00	51,705.5	–508.3	31/12/20
PUW OpCo GmbH, Hamburg	100.00	–1,157.0	–417.9	31/12/20
PUW PFLEGENUNDWOHNEN Beteiligungs GmbH, Hamburg	100.00	68,138.4	3,733.9	31/12/20
Rhein-Main Wohnen GmbH, Frankfurt/Main	100.00[1]	1,922,249.3	129,161.7	31/12/20
Rhein-Mosel Wohnen GmbH, Mainz	100.00[1]	1,006,189.5	75,248.1	31/12/20
Rhein-Pfalz Wohnen GmbH, Mainz	100.00[1]	1,392,054.4	10,136.0	31/12/20

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Company and registered office	Agre of capital in %	Equity in EUR thousand	Profit/loss in EUR thousand	Reporting date
RMW Projekt GmbH, Frankfurt/Main	100.00[1]	16,238.3	0.0	31/12/20
RPW Immobilien GmbH & Co. KG, Berlin	94.00[2]	59,889.1	32,155.1	31/12/20
Seniorenresidenz "Am Lunapark" GmbH, Leipzig	100.00	102.3	0.0	31/12/20
SGG Scharnweberstraße Grundstücks GmbH, Berlin	100.00[1]	25.0	0.0	31/12/20
Sophienstraße Aachen Vermögens-verwaltungsgesellschaft mbH, Berlin	100.00[1]	2,193.0	0.0	31/12/20
Stadtentwicklungsgesellschaft Buch mbH, Berlin	100.00	3,917.2	–69.2	31/12/20
SYNVIA energy GmbH, Magdeburg	100.00	k. A.	k. A.	k. A.
SYNVIA media GmbH, Magdeburg	100.00	1,753.5	–544.7	31/12/19
SYNVIA mobility GmbH, Magdeburg	100.00	k. A.	k. A.	k. A.
TELE AG, Leipzig	100.00	1,027.6	807.6	31/12/19
WIK Wohnen in Krampnitz GmbH, Berlin	100.00[1]	2,263.5	0.0	31/12/20
Wohnanlage Leonberger Ring GmbH, Berlin	100.00[1]	850.9	0.0	31/12/20
Zisa Grundstücksbeteiligungs GmbH & Co. KG, Berlin	94.90[2]	1.0	344.2	31/12/20
Zisa Verwaltungs GmbH, Berlin	100.00	68.4	–21.6	31/12/20
Zweite GSW Verwaltungs- und Betriebsgesellschaft mbH, Berlin	100.00	69.7	–22.8	31/12/20
Joint ventures, consolidated at equity				
B & O Service Berlin GmbH, Berlin	24.94	5,626.2	0.0	30/06/20
Casa Nova 2 GmbH, Grünwald	50.00	–795.7	–812.6	31/12/19
Casa Nova 3 GmbH, Grünwald	50.00	–1,698.5	–716.5	31/12/19
Casa Nova GmbH, Grünwald	50.00	–84.7	–102.9	31/12/19
Deutsche KIWI.KI GmbH, Berlin	49.00	547.6	–312.6	31/12/19
DWA Beteiligungsgesellschaft mbH, Berlin (formerly: Brillant 3335. GmbH, Berlin)	50.00	k. A.	k. A.	k. A.
Funk Schadensmanagement GmbH, Berlin	49.00	199.5	99.5	31/12/19
G+D Gesellschaft für Energiemanagement mbH, Magdeburg	49.00	23,305.9	5,954.7	31/12/19
GSZ Gebäudeservice und Sicherheitszentrale GmbH, Berlin	33.33	384.1	139.2	31/12/19
IOLITE IQ GmbH, Berlin	33.33	–149.4	–174.4	31/12/19
LE Property 2 GmbH & Co. KG, Leipzig	49.00	–856.5	25.0	31/12/19
LE Quartier 1 GmbH & Co. KG, Leipzig	46.50	25.0	1,811.0	31/12/19
LE Quartier 1,1 GmbH & Co. KG, Leipzig	49.00	–99.1	–27.9	31/12/19
LE Quartier 1,4 GmbH, Leipzig	50.00	–240.3	–225.5	31/12/19
LE Quartier 1,5 GmbH, Leipzig	44.00	14.7	–1.0	31/12/19
LE Quartier 1,6 GmbH, Leipzig	50.00	–36.1	–52.5	31/12/19
LE Quartier 5 GmbH & Co. KG, Leipzig	44.00	3.0	–4,506.2	31/12/19
Projektgesellschaft Jugendstilpark Munich mbH, Leipzig	50.00	166.5	963.6	31/12/19
QUARTERBACK Immobilien AG, Leipzig	40.00	18,576.5	–786.9	31/12/19
Siwoge 1992 Siedlungsplanung und Wohnbauten Gesellschaft mbH, Berlin	50.00	9,563.3	388.6	31/12/19
Telekabel Riesa GmbH, Riesa	26.00	226.9	115.5	31/12/19
WB Wärme Berlin GmbH, Schönefeld	49.00	20.7	–4.3	31/12/19

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Company and registered office	Agre of capital in %	Equity in EUR thousand	Profit/loss in EUR thousand	Reporting date
Associated companies, consolidated at equity				
Comgy GmbH, Berlin	14.61	2,991.0	–1,681.7	31/12/19
KIWI.KI GmbH, Berlin	21.11	351.2	–3,114.6	31/12/19
Krampnitz Energie GmbH, Potsdam	25.10	k. A.	k. A.	k. A.
Zisa Beteiligungs GmbH, Berlin	49.00	22.8	–1.9	31/12/19
Shareholdings, not consolidated				
AVUS Immobilien-Treuhand GmbH & Co. KG, Hamburg (formerly: AVUS Immobilien-Treuhand GmbH & Co. KG, Berlin)	100.00	320.7	–19.9	31/12/19
BAU-KULT.GmbH, Amt Wachsenburg	6.00	3,002.2	–797.2	31/12/19
Deutsche Netzmarketing GmbH, Cologne	2.56	2,864.5	247.3	31/12/19
Erste JVS Real Estate Verwaltungs GmbH, Berlin	11.00	–103.4	–95.5	31/12/19
GbR Fernheizung Gropiusstadt, Berlin	46.10	612.4	–43.3	31/12/20
Implementum II GmbH, Grevenbroich	11.00	7.0	–16.0	31/12/18
Jägerpark Projektentwicklungsgesellschaft mbH, Berlin	6.00	–0.2	3.1	31/12/19
LE Campus GmbH, Leipzig	6.00	–279.3	481.7	31/12/19
LE Central Office GmbH, Leipzig	11.00	83.4	–28.4	31/12/19
LE Quartier 100 GmbH, Frankfurt/Main	6.00	–27.5	–47.8	31/12/19
LE Quartier 101 GmbH, Frankfurt/Main	6.00	19.3	–3.7	31/12/19
LE Quartier 102 GmbH, Frankfurt/Main	6.00	43.6	19.7	31/12/19
LE Quartier Spinnerei Straße GmbH, Frankfurt/Main	6.00	23.5	2.1	31/12/19
LE Quartier Torgauer Straße GmbH, Frankfurt/Main	6.00	20.3	–0.1	31/12/19
Marcolini Grundbesitz GmbH, Dresden	6.00	–1,203.2	–278.6	31/12/19
Projektgesellschaft Erfurt Nr. 8 GmbH, Leipzig	6.00	1,403.1	731.3	31/12/19
QUARTERBACK Premium 1 GmbH, Berlin (formerly: MCG blueorange Projekt 1 GmbH, Berlin)	11.00	92.9	–202.5	31/12/19
Quartier 315 GmbH, Leipzig (formerly: Lichtenberg 8 B.V., Amsterdam, Niederlande)	15.00	k. A.	k. A.	k. A.
Sea View Projekt GmbH, Leipzig (formerly: ROBEX Deutschland GmbH, Stadtlohn)	11.00	5,230.0	–138.0	31/12/19
SIAAME Development GmbH, Berlin	20.00	–33.1	k. A.	31/12/17
STRABAG Residential Property Services GmbH, Berlin	0.49	246.7	0.0	31/12/19
VRnow GmbH, Berlin	10.00	78.0	–186.1	31/12/17
Westside Living GmbH, Leipzig	11.00	–349.6	–98.2	31/12/19
WirMag GmbH, Grünstadt (formerly: WirMag GmbH, Bad Dürkheim)	14.85	1,239.0	–645.7	31/12/19

Appendix 2 to the Notes to the consolidated financial statements

GROUP SEGMENT REPORTING

for the financial year 2020

EUR m	External revenue		Internal revenue		Total revenue		Segment earnings	
	2020	2019	2020	2019	2020	2019	2020	2019
Segments								
Residential Property Management	1,203.0	1,196.7	4.2	4.4[1]	1,207.2	1,201.1[1]	720.4	729.8
Disposals	1,251.6	767.3	10.8	7.9	1,262.4	775.2	20.4	186.1
Nursing Operations	238.1	225.2	0.0	0.0	238.1	225.2	46.9	45.3
Nursing Assets	38.3	45.4	26.9	26.8	65.2	72.2	35.1	43.0
Reconciliation with the consolidated financial statements								
Central function and other operating activities	0.2	0.3	127.1	128.7	127.3	129.0	–136.1	–131.1
Consolidations and other reconciliation	0.0	0.0	–169.0	–167.8[1]	–169.0	–167.8[1]	0.0	0.0
	2,731.2	**2,234.9**	**0.0**	**0.0**	**2,731.2**	**2,234.9**	**686.7**	**873.1**

1 Previous year's figure amended

The following auditor's report, prepared in accordance with § 322 HGB ["Handelsgesetzbuch": "German Commercial Code"], refers to the complete consolidated financial statements, comprising of consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity and notes to the consolidated financial statements, together with the combined management report of Vonovia SE, Bochum, for the financial year from January 1, 2019 to December 31, 2019. The combined management report is not included in this prospectus. The below-mentioned auditor‘s report and consolidated financial statements are both translations of the respective German-language documents.

INDEPENDENT AUDITOR'S REPORT

To Deutsche Wohnen SE, Berlin

Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

Opinions

We have audited the consolidated financial statements of Deutsche Wohnen SE, Berlin, and its subsidiaries (subsequently: Group), which comprise the consolidated balance sheet as of December 31, 2020, the consolidated profit and loss statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1, 2020, to December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report (hereinafter: 'group management report') of Deutsche Wohnen SE and the Group for the financial year from January 1, 2020, to December 31, 2020. In accordance with German legal requirements, we have not audited the content of those components of the group management report specified in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of December 31, 2020, and of its financial performance for the financial year from January 1, 2020, to December 31, 2020, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of those components of the group management report specified in the "Other Information" section of the auditor's report.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the EU Audit Regulation No 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2)(f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1, 2020, to December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Valuation of residential and commercial investment property held for investment, nursing properties as well as project developments

For the valuation (measurement) of property held for investment, please refer to the details provided in the notes to the consolidated financial statements in Sections A.4, C.1, C.2 and D.1.

FINANCIAL STATEMENT RISK

Investment property (largely consisting of residential and commercial property, nursing properties and project developments) is reported in the consolidated financial statements of Deutsche Wohnen as of December 31, 2020, in the amount of EUR 28.1 billion. Deutsche Wohnen measures investment property at fair value. In the year under review, income from positive changes in fair value of EUR 1.65 billion were recognized in the consolidated profit and loss statement.

Deutsche Wohnen determines the fair value of the portfolio of residential and commercial investment property internally using a discounted cash flow model. In addition, Jones Lang LaSalle SE (hereinafter referred to as JLL) provides an appraisal which is used by Deutsche Wohnen to verify the in-house valuation (measurement) of residential and commercial property. For the valuation of project development of residential and commercial property, Deutsche Wohnen uses the residual valuation calculations of JLL as a base. Nursing properties are valued (measured) by W&P Immobilienberatung GmbH (hereinafter referred to as W&P) using a discounted cash flow model.

In-house valuation and valuations (measurements) of JLL and W&P are carried out as of the measurement date (December 31, 2020).

Numerous assumptions relevant to measurement are made when assessing the value of investment property, which are complex and subject to considerable estimation uncertainties and judgments. Even minor changes in the assumptions relevant to measurement may have a material effect on the resulting fair value.

The key assumptions for measuring the value of portfolio of residential and commercial property as of the measurement date were annual rental growth as well as the discount and capitalization rates.

The key assumptions for the residual value calculation for project developments of residential and commercial properties as of the measurement date were the net present values after completion, the out-standing project development costs including financing costs and development profit.

The key assumptions for measuring the value of nursing properties as of the measurement date were market rents, discount rates and maintenance expenses.

Due to existing estimation uncertainties and judgments, there is the risk for the financial statements that the measurement of investment property is inappropriate.

Moreover, there is the risk for the financial statements that the disclosures on property held for investment required in the notes pursuant to IAS 40 and IFRS 13 are incomplete and inadequate.

OUR AUDIT APPROACH

Our audit procedures in respect of the portfolio of residential and commercial property included, in particular, an assessment of the internal valuation method used with a view to compliance with IAS 40 in conjunction with IFRS 13, the accuracy and completeness of data used for property portfolios, as well as appropriateness of assumptions for measurement, such as the annual rental growth and discount/capitalization rates used. We conducted our audit with the involvement of our valuation experts.

We assessed the internal valuation methods in terms of the valuation model's suitability as well as (financial) mathematical accuracy, and verified that the assumptions and data relevant for measurement were appropriately recorded as of the measurement date.

We compared the target rents processed in the in-house valuation model with the target rents stored in the ERP system. Prior to that, we confirmed the appropriateness and functionality of the controls implemented in the rental process which ensure that the target rents stored in the ERP system are in agreement with the contractual rents.

Subsequently, we assessed the appropriateness of the assumptions made for measurement based on a representative selection of properties, which was supplemented by elements deliberately selected on a risk-oriented basis. For this purpose, we assessed the appropriateness of the assumptions made for determining property-specific annual rental growth and discount/capitalization rates by comparing these to market and industry-specific benchmarks, taking into account the type and location of properties selected. We carried out on-site inspections for deliberately selected properties to verify the respective property's condition.

We were satisfied with the competence, professional skills and impartiality of JLL, engaged by Deutsche Wohnen to value its residential and commercial property, assessed the valuation method used for their appraisal with regard to compliance with IAS 40 in conjunction with IFRS 13 and compared the external appraisal with the internal measurements (valuation).

Furthermore, we compared the fair values of the portfolio of residential and commercial property determined by Deutsche Wohnen with observable multipliers provided by recognized external providers.

Our audit procedures in respect of the project development of residential and commercial properties particularly included:
- Evaluation of the competence, professional skills and impartiality of JLL engaged by Deutsche Wohnen for the valuation of project development of residential and commercial properties.
- Evaluation of the valuation method used for valuation taking into consideration the specific assumptions for measurement in view of compliance with IAS 40 in conjunction with IFRS 13.
- Evaluation of the accuracy and completeness of the data used.
- Evaluation of the appropriateness of the key measurement assumptions used such as the net present values after completion, the outstanding project development costs including financing costs and development profit.

We conducted our audit with the involvement of our valuation experts.

We assessed the appropriateness of the assumptions made for measurement using a deliberate risk-based selection of project developments. We carried out on-site inspections for deliberately selected project developments to verify the respective status of project development.

For nursing properties, we verified the competence, professional skills and impartiality of W&P, evaluated the valuation method used and assessed the completeness and accuracy of the numerical data. We evaluated the appraisal with regard to key assumptions for measurement for a risk-based deliberate selection of properties. We conducted our audit with the involvement of our valuation experts.

We also assessed the completeness and adequacy of disclosures on investment property required in the notes to the consolidated financial statements pursuant to IAS 40 and IFRS 13.

OUR OBSERVATIONS

The assumptions and data for measurement of the residential and commercial investment property held for investment, nursing properties and project developments are appropriate.

The disclosures on investment property in the notes to the consolidated financial statements pursuant to IAS 40 and IFRS 13 are complete and appropriate.

Other Information

Management and/or the Supervisory Board are/is responsible for the other information. The other information comprises the following components of the group management report, whose content was not audited:

- the non-financial group statement, which is contained in Section 9 of the group management report,
- the corporate governance statement for the Company and the Group referred to in Section 8 of the group management report.

The other information also includes the remaining parts of the annual report. The other information does not include the consolidated financial statements, the group management report information audited for content and our auditor’s report thereon.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

In accordance with our engagement letter, we conducted a separate assurance engagement of the Group's non-financial statement. Please refer to our assurance report dated March 22, 2021, for information on the nature, scope and findings of this assurance engagement.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Report on the Assurance in accordance with Section 317 (3b) HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes

We have performed assurance work in accordance with Section 317 (3b) HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the file that can be downloaded by the issuer from the electronic client portal with access protection, „deutsche-wohnense-2020-12-31.zip" (SHA256-Hashwert: 15f6d4930735b522cd4659b4c-41c1f84a1dbe2c76e8bcf12867dd4265e154ee9), and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned electronic file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from January 1 to December 31, 2020, contained in the "Report on the Audit of the Consolidated Financial Statements and the Group Management Report" above.

We conducted our assurance work on the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned electronic file in accordance with Section 317 (3b) HGB and the Exposure Draft of the IDW Assurance Standard: Assurance in accordance with Section 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410). Accordingly, our responsibilities are further described below. Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

The Company's management is responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with Section 328 (1) sentence 4 item 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 item 2 HGB.

In addition, the Company's management is responsible for the internal controls they consider necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The Company's management is also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited group management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance of the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815 on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor at the annual general meeting on June 5, 2020. We were engaged by the Supervisory Board on December 2, 2020. We have been the group auditor of Deutsche Wohnen SE without interruption since the financial year 2016.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

In addition to the financial statement audit, we have provided to group entities the following services that are not disclosed in the consolidated financial statements or in the group management report:

Assurance review of the non-financial group statement, comfort letter, support in enforcement proceedings and other contractually agreed assurance services.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is René Drotleff.

Berlin, March 22, 2021

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Schmidt Wirtschaftsprüfer (German Public Auditor)	Drotleff Wirtschaftsprüfer (German Public Auditor)

Audited Consolidated Financial Statements of Deutsche Wohnen SE as of and for the financial year ended December 31, 2019 (IFRS)

CONSOLIDATED BALANCE SHEET

as of 31 December 2019

EUR m	Notes	31/12/2019	31/12/2018
Assets			
Investment properties	D.1	25,433.3	23,781.7
Property, plant and equipment	D.3	191.5	146.5
Intangible assets	D.4	188.9	31.4
Derivative financial instruments	D.7	1.1	0.9
Other non-current financial assets	C.7	61.8	113.3
Deferred tax assets	D.16	0.1	0.1
Non-current assets		**25,876.7**	**24,073.9**
Land and buildings held for sale	D.5	468.9	477.1
Other inventories	C.8	6.5	4.2
Trade receivables	D.6	25.0	22.4
Income tax receivables		112.2	83.1
Derivative financial instruments	D.7	0.2	0.1
Other financial assets	C.7	94.0	22.3
Other non-financial assets	C.6	11.4	9.0
Cash and cash equivalents	D.8	685.6	332.8
Sub-total current assets		**1,403.8**	**951.0**
Non-current assets held for sale	C.10	571.2	33.0
Current assets		**1,975.0**	**984.0**
Total assets		**27,851.7**	**25,057.9**

EUR m	Notes	31/12/2019	31/12/2018
Equity and liabilities			
Equity attributable to shareholders of the parent company			
Issued share capital	D.9	359.7	357.0
Own shares	D.9	–2.6	0.0
Issued capital		**357.1**	**357.0**
Capital reserve	D.9	2,555.5	2,918.1
Other reserves		–46.3	7.1
Retained earnings	D.9	9,834.1	8,276.9
Total equity attributable to the shareholders of the parent company		**12,700.4**	**11,559.1**
Non-controlling interests	D.9	406.9	349.0
Total equity		**13,107.3**	**11,908.1**
Non-current financial liabilities	D.10	6,154.4	6,112.3
Convertible bonds	D.11	1,676.9	1,691.3
Corporate bonds	D.11	1,518.6	1,130.3
Employee benefit liabilities	D.12	107.2	63.4
Derivative financial instruments	D.7	43.6	7.3
Other provisions	D.14	44.4	15.2
Other financial liabilities	D.13	302.5	296.7
Deferred tax liabilities	D.16	3,713.8	3,244.7
Total non-current liabilities		**13,561.4**	**12,561.2**
Current financial liabilities	D.10	173.3	72.3
Convertible bonds	D.11	5.9	5.9
Corporate bonds	D.11	495.5	70.1
Trade payables		300.5	302.4
Other provisions	D.14	7.6	9.4
Derivative financial instruments	D.7	8.5	8.3
Tax liabilities	D.15	26.2	36.0
Other financial liabilities	D.13	141.1	54.9
Other non-financial liabilities		24.4	29.3
Total current liabilities		**1,183.0**	**588.6**
Total equity and liabilities		**27,851.7**	**25,057.9**

CONSOLIDATED PROFIT AND LOSS STATEMENT

for the period from 1 January to 31 December 2019

EUR m	Notes	2019	2018
Contracted rental income	E.1/5	837.3	785.5
Income from operating costs	E.1/5	359.4	337.4
Expenses from Residential Property Management	E.2	–466.9	–466.7
Earnings from Residential Property Management		**729.8**	**656.2**
Sales proceeds		767.3	180.3
Of which revenues from property holdings		17.5	27.3
Cost of sales		–11.6	–7.0
Carrying amount of assets sold		–569.6	–130.2
Of which for revenues from property holdings		–11.9	–19.5
Earnings from Disposals	E.3/5	**186.1**	**43.1**
Income from nursing		165.7	68.1
Rental and lease income		104.9	67.2
Expenses for Nursing and Assisted Living		–182.3	–80.0
Earnings from Nursing and Assisted Living	E.4/5	**88.3**	**55.3**
Corporate expenses	E.6	–101.4	–93.7
Other expenses	E.8	–113.8	–24.4
Other income	E.7	84.1	22.6
Interim result (EBITDA before gains/losses from the fair value adjustment of investment properties)		**873.1**	**659.1**
Gains/losses from the fair value adjustment of investment properties	D.1	1,406.7	2,179.3
Depreciation and amortization	D.3/4	–42.9	–10.3
Earnings before interest and taxes (EBIT)		**2,236.9**	**2,828.1**
Financial income		10.9	7.8
Gains/losses from fair value adjustments to derivative financial instruments and convertible bonds	D.7/11, E.10	28.5	–80.3
Earnings from companies valued in accordance with the equity method	B.3	2.8	2.6
Financial expenses	E.11	–174.5	–131.4
Earnings before taxes (EBT)		**2,104.6**	**2,626.8**
Income taxes	E.12	–503.7	–764.2
Profit/loss for the period		**1,600.9**	**1,862.6**
Of which attributable to:			
Shareholders of the parent company		1,529.5	1,833.0
Non-controlling interests		71.4	29.6
		1,600.9	**1,862.6**
Earnings per share			
Undiluted in EUR	H	4.27	5.15
Diluted in EUR	H	3.82	4.86

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from 1 January to 31 December 2019

EUR m	Notes	2019	2018
Profit/loss for the period		**1,600.9**	**1,862.6**
Other comprehensive income			
Items subsequently reclassified to profit or loss			
Net gain/loss from derivative financial instruments	D.7	–12.6	–1.8
Income tax effects	D.16	3.1	0.4
		–9.5	**–1.4**
Items not subsequently reclassified to profit or loss			
Net change in the fair value of equity instruments	D.7	–1.5	0.0
Income tax effects	D.18	0.0	0.0
Actuarial gains/losses on pensions and impact of caps for assets in pension plans	D.12	–15.1	0.4
Income tax effects	D.18	3.3	0.0
Net gains/losses from convertible bonds	D.11	–43.6	39.8
Income tax effects	C.18	12.5	–12.0
		–44.4	**28.2**
Other comprehensive income after taxes		**–53.9**	**26.8**
Total comprehensive income after taxes		**1,547.0**	**1,889.4**
Of which attributable to:			
Shareholders of the parent company		1,476.1	1,859.8
Non-controlling interests		70.9	29.6

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period from 1 January to 31 December 2019

EUR m	Notes	2019	2018
Operating activities			
Profit/loss for the period		1,600.9	1,862.6
Financial income		–10.9	–7.8
Adjustment to derivative financial instruments and convertible bonds	D.7/11, E.10	–28.5	80.3
Finance expenses		174.5	131.4
Earnings from companies valued in accordance with the equity method	B.8	–2.8	–2.6
Income taxes		503.7	764.2
Profit/loss for the period before interest and taxes		**2,236.9**	**2,828.1**
Non-cash expenses/income			
Fair value adjustment of investment properties	D.1	–1,406.7	–2,179.3
Depreciation and amortization	D.3/4	42.9	10.3
Other non-cash expenses/income	G	–146.1	–28.0
Changes in net current assets			
Changes in receivables, inventories and other current assets		–108.4	–28.2
Changes in operating liabilities		0.6	141.0
Net operating cash flow		**619.2**	**743.9**
Proceeds from the disposal of properties held for sale	G	17.5	27.3
Investment in properties held for sale		–4.2	–131.4
Interest paid		–148.2	–111.3
Interest received		10.9	3.9
Taxes paid		–70.6	–73.7
Taxes received		29.9	10.7
Net cash flow from operating activities		**454.5**	**469.4**
Investing activities			
Sales proceeds	G	777.7	150.6
Purchases of property, plant and equipment		–1,370.5	–2,046.5
Receipt of investment subsidies		0.0	0.8
Proceeds from dividends from shareholdings and joint ventures		0.1	0.1
Payments for business combinations less cash and cash equivalents acquired		–83.2	–18.7
Other proceeds of investing activities		2.2	2.8
Payments to limited partners in funds		–0.5	–0.7
Net cash flow from investing activities		**–674.2**	**–1,911.6**

EUR m	Notes	2019	2018
Financing activities			
Proceeds of new borrowing	D.10	508.1	1,354.4
Loan repayments	D.10	–380.5	–106.5
Proceeds from the issue of corporate bonds		1,159.5	525.0
Repayment of corporate bonds		–341.2	–150.0
One-off financing payments	E. 11	–19.5	–9.7
Repayment of lease liabilities		–20.6	0.0
Payments for the purchase and repayment of non-controlling interests		–7.4	0.0
Payments for the purchase of own shares	D.9	–93.3	0.0
Proceeds of the capital increase	D.9	0.1	0.1
Other payments from financing activities		–1.8	–1.4
Costs of the capital increase	D.9	–0.4	–0.5
Dividend paid to shareholders of Deutsche Wohnen SE	H	–225.7	–194.8
Dividends paid to shareholders of non-controlling interests		–4.8	–5.3
Net cash flow from financing activities		**572.5**	**1,411.3**
Net change in cash and cash equivalents		**352.8**	**–30.9**
Opening balance cash and cash equivalents		**332.8**	**363.7**
Closing balance cash and cash equivalents		**685.6**	**332.8**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as of 31 December 2019

EUR m	Share capital	Own shares	Issued capital	Capital reserve	Pensions and convertible bonds
Equity as of 1 January 2018	**354.7**	**0.0**	**354.7**	**3,078.6**	**–17.7**
Profit/loss for the period					
Of which non-controlling interests					
Other comprehensive income					28.2
Of which non-controlling interests					0.0
Total comprehensive income					**28.2**
Capital increase	2.3		2.3	87.4	
Cost of capital increase, less tax effect			0.0	–0.4	
Transfer from capital reserve			0.0	–247.8	
Contribution in connection with Management Board remuneration			0.0	0.3	
Change in non-controlling interests			0.0		
Dividend			0.0		
Other			0.0		
Equity as of 31 December 2018	**357.0**	**0.0**	**357.0**	**2,918.1**	**10.5**
Equity as of 1 January 2019	**357.0**	**0.0**	**357.0**	**2,918.1**	**10.5**
Profit/loss for the period					
Other comprehensive income					–44.4
Total comprehensive income					**–44.4**
Capital increase	2.7		2.7	83.0	
Cost of capital increase, less tax effect			0.0	–0.3	
Acquisition of own shares		–2.6	–2.6	–96.8	
Transfer from capital reserve			0.0	–348.5	
Change in non-controlling interests			0.0		
Dividend			0.0		
Other			0.0		
Equity as of 31 December 2019	**359.7**	**–2.6**	**357.1**	**2,555.5**	**–33.9**

Cash flow hedge reserve	Total other comprehensive income	Retained earnings equity	Equity attributable to shareholders of the parent equity	Non-controlling interests	Total equity
–2.0	**–19.7**	**6,474.6**	**9,888.2**	**322.8**	**10,211.0**
		1,862.6	1,862.6		1,862.6
		–29.6	–29.6	29.6	0.0
–1.4	26.8		26.8		26.8
0.0	0.0		0.0	0.0	0.0
–1.4	**26.8**	**1,833.0**	**1,859.8**	**29.6**	**1,889.4**
			89.7		89.7
			–0.4		–0.4
		247.8	0.0		0.0
			0.3		0.3
		–0.2	–0.2	–3.4	–3.6
		–283.7	–283.7		–283.7
		5.4	5.4		5.4
–3.4	**7.1**	**8,276.9**	**11,559.1**	**349.0**	**11,908.1**
–3.4	**7.1**	**8,276.9**	**11,559.1**	**349.0**	**11,908.1**
		1,529.5	1,529.5	71.4	1,600.9
–9.0	–53.4		–53.4	–0.5	–53.9
–9.0	**–53.4**	**1,529.5**	**1,476.1**	**70.9**	**1,547.0**
			85.7		85.7
			–0.3		–0.3
			–99.4		–99.4
		348.5	0.0		0.0
		–0.1	–0.1	–13.0	–13.1
		–310.6	–310.6		–310.6
		–10.1	–10.1		–10.1
–12.4	**–46.3**	**9,834.1**	**12,700.4**	**406.9**	**13,107.3**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

A General remarks on the consolidated financial statements of Deutsche Wohnen SE

1 The Deutsche Wohnen Group

The consolidated financial statements of Deutsche Wohnen SE ("Deutsche Wohnen") as at 31 December 2019 were prepared by the Management Board on 19 March 2020. The Supervisory Board is scheduled to approve the consolidated financial statements at its meeting on 19 March 2020. Deutsche Wohnen SE is a publicly listed property company which is based in Germany and operates nationally. Its headquarters are located at Mecklenburgische Straße 57, Berlin, and it is entered in the Commercial Register held at Berlin-Charlottenburg Local Court, HRB 190322 B.

Deutsche Wohnen SE operates solely as a holding company for the entities which make up the group and consists of all material central functions. The operating subsidiaries focus on Property Management, Disposals/Acquisitions and Property-related Services.

The consolidated financial statements are presented in euros. Unless stated otherwise, figures are rounded to the nearest thousand (EUR thousand) or the nearest million (EUR m) EUR. For arithmetical reasons, there may be rounding differences between the tables and references and the exact mathematical figures.

2 Consolidated financial statements

The consolidated financial statements of Deutsche Wohnen and its subsidiaries were prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union (EU) and the commercial law provisions applicable in a supplementary capacity pursuant to section 315e para. 1 of the German Commercial Code [Handelsgesetzbuch – HGB].

The consolidated financial statements have been prepared on an amortised cost basis. This excludes, in particular, the investment properties, the convertible bonds and the derivative financial instruments, which are measured at fair value.

The consolidated financial statements comprise the financial statements of Deutsche Wohnen and its subsidiaries as at 31 December of each financial year. The subsidiaries' financial statements are prepared using uniform accounting policies and valuation methods with the same reporting date as the parent company's financial statements.

3 Application of IFRS in the financial year

With the exception of new and revised standards and interpretations, the same accounting policies and valuation methods were applied to the consolidated financial statements for the past financial year as were used for the consolidated financial statements as at 31 December 2018.

First-time application of new standards in the financial year 2019:

In January 2016 the IASB published the new standard IFRS 16 Leases. As of 1 January 2019 all leases have to be recognised by the lessee in the form of rights of use and lease liabilities, to the extent that the lease term exceeds twelve months and the assets are not of minor value. Lessors continue to distinguish for accounting purposes between finance leases and operating leases. The new standard will apply to Deutsche Wohnen as an entity which is both lessor and lessee.

As lessee, Deutsche Wohnen has identified the following categories of lease that are significant for the Group and result in the recognition of rights of use and lease liabilities as of 1 January 2019 following the first-time application of the standard: heat contracting, metering technology, commercial leases for office properties, commercial leases for nursing properties and vehicle leasing. First-time application resulted in the recognition of right-of-use assets of EUR 47.8 million and lease liabilities of 48.3 million. IFRS 16 was applied using the modified retrospective approach. Comparative figures for prior year periods were not adjusted. The operating lease liabilities as of 31 December 2018 are reconciled with the opening balances of lease liabilities as of 1 January 2019 as follows:

EUR m	1 January 2019
Operating lease liabilities as of 31 December 2018	37.3
Discounting	–2.1
Lease liabilities as of 1 January 2019	35.2
Accounting changes for existing finance leases as of 1 January 2019	13.1
Additional lease liabilities from first-time application of IFRS 16 as of 1 January 2019	**48.3**

Lease liabilities were discounted to 1 January 2019 using the marginal borrowing rate. The weighted average discount rate was 1.2%.

Effects on the opening balances as of the transition date are shown below:

EUR m	1 January 2019
Assets	
Non-current assets	
Right-of-use assets – Metering technology	25.0
Right-of-use assets – Heat contracting	13.6
Right-of-use assets – Land and buildings	4.9
Right-of-use assets – Investment properties	3.7
Right-of-use assets – Vehicle fleet	0.5
Deferred taxes	0.1
Total	**47.8**
Equity and liabilities	
Equity	
Retained earnings	–0.5
Non-current other financial liabilities	
Lease liabilities	41.7
Current other financial liabilities	
Lease liabilities	6.6
Total	**47.8**

With the exception of the investment properties, right-of-use assets are presented in plant, property and equipment. First-time application of IFRS 16 resulted in the recognition of interest expenses of some EUR 0.6 million, depreciation and amortization of some EUR 7.1 million and revaluations of some EUR 0.5 million in the reporting period in connection with the first-time recognition of leases.

The distinction between finance and operating leases is maintained for leases where the Group is lessor. The Group lets its investment properties, which include both owned properties and right-of-use assets. The Group has classified these leases as operating leases. Sub-leases were classified on the basis of the right of use and not on the underlying asset.

Because the underlying performance for land tax and property insurance is not transferred to the lessee, income from these operating costs is considered to be another component of the contract (neither lease nor service component) and is therefore recognised separately according to the relevant provisions of IFRS 15.

For further information on accounting for leases we refer to section C.14 "Leases" in the chapter "Accounting policies and valuation methods".

In June 2017 the IASB issued IFRIC 23, Uncertainty over Income Tax Treatments. The interpretation makes clear that entities should, in reporting uncertain amounts of income taxes on the balance sheet, proceed on the basis that the tax authorities will verify the reported amounts in full knowledge of all of the relevant information. The amendments do not have any effect on Deutsche Wohnen.

In October 2017, the IASB published amendments to IAS 28 "Investments in associates and joint ventures" relating to long-term shareholdings in such entities. These amendments make clear that an entity will be required to apply IFRS 9 "Financial instruments", including the provisions governing impairments contained therein, to long-term investments in associates and joint ventures which represent a portion of the net amount invested in the associate or joint venture in question and are not reported in accordance with the equity method. The amendments do not have any effect on Deutsche Wohnen.

In October 2017 the IASB published minor amendments to IFRS 9, Financial Instruments, which enables financial assets with symmetric prepayment options to be measured at amortised cost or at fair value through other comprehensive income. It also clarified the modification of financial liabilities that does not result in derecognition. The amendments do not have any effect on Deutsche Wohnen.

The IASB published Annual Improvements to IFRS Standards 2015 – 2017 Cycle in December 2017. The improvements relate to clarifications for IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs. The amendments do not have any effect on Deutsche Wohnen.

In February 2018 the IASB published an amendment to IAS 19 Leases. The amendment stipulates that in the event of the amendment, curtailment or settlement of a defined-benefit pension plan, the current service expense and net interest for the remaining financial year must be remeasured using the current actuarial assumptions that were used for the remeasurement of the net liability (asset). The IASB also included amendments to IAS 19 clarifying how a plan amendment, curtailment or settlement affects the requirements regarding the asset ceiling. The amendments do not have any effect on Deutsche Wohnen.

Apart from this, there were no changes as a result of the first-time application of IFRS or IFRIC having a material effect on the reporting in the consolidated financial statements in the financial year 2019.

Standards which are not yet mandatorily applicable:

The following shows IFRS which have already been published and have already been incorporated into EU law, but which are not yet mandatorily applicable:

In March 2018 the IASB published a revised version of the Conceptual Framework. The revision of the Conceptual Framework particularly included a new chapter on the measurement of assets and liabilities, guidelines for the presentation of financial performance, a revised definition of the terms asset and liability and clarifications on the importance of accountability and the principle of prudence in the context of the objective of IFRS financial reporting. The updated references to the revised Conceptual Framework in the standards and interpretations are applicable from 1 January 2020. Deutsche Wohnen is currently analysing whether it is likely to have any effect on its reporting methodology.

In October 2018 the IASB published changes to the definition of materiality in financial statements. The amendments, in combination with additional comments on use in IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, are intended to make it easier for IFRS reporting entities to determine materiality. The amendments also ensure that the definition of materiality is harmonised across all IFRS. Deutsche Wohnen is currently analysing whether it is likely to have any effect on its reporting methodology.

In addition, in September 2019 the IASB published proposals for amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 9 Financial Instruments in connection with the IBOR reform The amendments relate to certain rules for hedge accounting and are intended to ensure that the current accounting for hedging transactions can be continued. Deutsche Wohnen is currently analysing whether it is likely to have any effect on its reporting methodology.

The following IFRS standards have not yet been incorporated into EU law and as such do not yet apply.

In October 2018 the IASB published an amendment to IFRS 3 concerning the definition of a business. In it the IASB clarifies the three elements of a business. The background was an increasing number of questions in the past about whether a business was being acquired or not in a particular case. Deutsche Wohnen is currently analysing whether it is likely to have any effect on its reporting methodology.

The IASB and the IFRS IC did not issue any further statements and amendments to standards having a significant effect on the consolidated financial statements during the reporting year or up to the date the consolidated financial statements were approved.

4 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements

In the process of applying the Group's accounting policies and valuation methods, management has made the following judgements, which have a significant effect on the amounts recognised in the consolidated financial statements. Insofar as statements regarding discretionary decisions in the context of individual rules had to be made, an explanation was provided for the corresponding items.

Full consolidation of the KATHARINENHOF Group

Deutsche Wohnen SE assumes that it exercises control over the KATHARINENHOF Group although it does not hold the majority of the voting rights. This position of control is due, in particular, to contractual arrangements entered into with the majority shareholder. Please see Note B.3 "Disclosure of shares in other companies" for further information.

Operating lease commitments – Group as lessor

The Group has entered into leases to rent on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Classification of nursing properties as investment properties

In its Nursing and Assisted Living business field, Deutsche Wohnen implements the business model of holding nursing properties to generate rental income and/or for capital appreciation. The decision to classify the nursing properties which are managed by KATHARINENHOF and PFLEGEN & WOHNEN HAMBURG as investment properties was largely based on the analysis of two criteria: on the one hand, fluctuations in operating cash flows from the nursing operations (excluding the rents for the related residential units or beds) are examined and, on the other hand, the earnings from the provision of nursing care services are juxtaposed against the rental income from the residential units in the nursing properties as a means of assessing the significance of the nursing care services for the material financial management parameter FFO I. Due to the relatively minor fluctuations in the operating cash flows from the aforementioned provision of nursing care services and the negligible size of the contribution of these services towards the amount of the FFO I in comparison with the rental income, these properties are reported on the balance sheet as investment properties.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years are discussed below.

The fair value of investment properties and properties held for sale

The fair value of the residential and commercial properties held for investment purposes was determined on an internal basis by means of portfolio valuations as at 30 June 2019 and 31 December 2019 and was also confirmed externally as of 31 December. The properties are clustered on the basis of their location and property quality. Assumptions regarding changes in rents, vacancies and maintenance costs, as well as discount and capitalisation rates, are largely made on the basis of these clusters. The nursing properties were valued by an external appraiser as of 31 December 2019. The valuation is largely based on assumptions about market rents, discount rates and maintenance costs. All assumptions adopted in the context of valuations are subject to uncertainty due to their long-term reach, which could result in positive or negative value adjustments in the future. The carrying amount of the investment properties and properties held for sale amounted to EUR 26.0 billion (previous year: EUR 23.8 billion). Please see Note D.1 “Investment properties” for further information.

Pensions and other post-employment benefits

Expenses relating to post-employment defined benefit plans and the value of the related employee benefit liabilities reported on the balance sheet are determined on the basis of actuarial calculations. The actuarial calculations are made on the basis of assumptions regarding discount rates, future wage and salary increases, mortality and future pension increases. Such estimates are subject to significant uncertainty due to the long-term nature of these plans. The employee benefit liabilities amounted to EUR 107.2 million as at 31 December 2019 (previous year: EUR 63.4 million). Please see Note D.12 "Employee benefit liabilities" for further information.

Deferred taxes

The reporting on the balance sheet of deferred taxes calls for, in particular, estimations with regard to tax rates, the reversal of temporary differences and the use of tax assets resulting from loss carry-forwards. The underlying assumptions are subject to some uncertainty. The deferred tax assets amounted to EUR 0.1 million as at 31 December 2019 (previous year: EUR 0.1 million) and the deferred tax liabilities to EUR 3,713.8 million (previous year: EUR 3,244.7 million). Please see Note D.17 "Deferred taxes" for further information.

B Basis of consolidation and consolidation methods

1 Basis of consolidation

The consolidated financial statements comprise those of Deutsche Wohnen SE and the subsidiaries it controls from the time of their acquisition, i. e. from the date on which the Group obtains control over the entities in question. They will continue to be consolidated until the date on which the parent company relinquishes such control. The composition of the Deutsche Wohnen Group can be seen in the list of shareholdings attached as Appendix 1.

A total of 149 companies (previous year: 150) were included in the consolidated financial statements by way of full consolidation (Appendix 1) in 2019.

Four housing companies in the form of German limited liability companies (GmbH) were sold in the Residential Property Management segment. Furthermore, one limited liability company left the consolidated group due to a merger. This did not have any material effect on the company's assets, financial performance or position.

In the course of a successive acquisition in the Nursing properties segment the Group acquired the remaining 55% interest in PUW OpCo GmbH ("PFLEGEN & WOHNEN HAMBURG Group") based in Hamburg. The acquisition date on which Deutsche Wohnen SE gained control over the PFLEGEN & WOHNEN HAMBURG Group is 2 January 2019. As of this date Deutsche Wohnen SE holds 100% of the shares in the group. The PFLEGEN & WOHNEN HAMBURG Group is a Hamburg-based operator of nursing homes and offers a broad range of regional nursing care solutions to elderly people and others requiring nursing care.

The consideration paid for the purchase of the PFLEGEN & WOHNEN HAMBURG Group is made up as follows:

EUR m	
Fair value of equity instruments already held (45%)	54.0
Net cash price component for the remaining shares (55%)	66.9
Total compensation	**120.9**

The valuation of the equity instruments already held had no effect on earnings. The purchase price allocation for the acquired assets and liabilities of the PFLEGEN & WOHNEN HAMBURG Group as of the first consolidation date is based on an external valuation obtained for the purpose of measuring the fair values of these assets and liabilities.

The assets and liabilities acquired in the course of the business acquisition have the following fair values as of the initial consolidation date:

EUR m	
Intangible assets	38.7
Property, plant and equipment	13.2
Trade receivables	3.2
Cash and cash equivalents	7.7
Other assets at fair value	1.3
Total assets	**64.1**
Employee benefit liabilities	–27.8
Financial liabilities	–24.0
Trade payables	–2.2
Deferred tax liabilities	–4.4
Other liabilities at fair value	–13.4
Total liabilities	**–71.8**
Net assets at fair value	**–7.7**
Total compensation	120.9
Goodwill	**128.6**

Goodwill essentially represents the earnings potential of the business acquired, as well as synergy effects resulting from the integration of the PFLEGEN & WOHNEN HAMBURG Group into the Nursing properties segment.

The gross amount of the purchased trade receivables corresponds to their fair value.

Since its initial consolidation, the PFLEGEN & WOHNEN HAMBURG Group has contributed revenues of EUR 120.3 million and earnings (EBT) of EUR 10.5 million to the consolidated financial statements of Deutsche Wohnen.

No material transaction costs were incurred in connection with this step acquisition.

2 Consolidation methods

The subsidiaries' financial statements are prepared using uniform accounting policies and valuation methods with the same reporting date as the parent company's financial statements. Subsidiaries are fully consolidated from the time of their acquisition, this being the date on which the Group obtains control over them. They continue to be consolidated until the date on which the parent company ceases to exercise such control over them.

Capital is consolidated in accordance with the purchase method. The acquisition costs arising in the context of the acquisition of companies and businesses are offset against the fair value of the acquired assets and liabilities at the time of the acquisition. Any difference in a positive amount resulting from this offsetting is recognised under assets as goodwill. Any differences in negative amounts are verified and then recognised in the consolidated profit and loss statement. The time of the acquisition is the point in time at which the Group acquires the ability to exercise control over the relevant activities of the subsidiary in question, becomes exposed to fluctuations in the return on its investment and has powers of disposal with which it may influence such fluctuating returns. Differential amounts arising out of disposals or acquisitions of shares of non-controlling shareholders are offset within equity.

All intra-group balances, transactions, revenues, expenses, and gains and losses from intra-group transactions which are included in the carrying amount of the assets are eliminated in full.

Joint ventures and associates are consolidated using the equity method in accordance with IAS 28. The investment is recognised for the first time at cost. For subsequent consolidation the carrying amount is modified to reflect pro rata changes in the equity of the associate or joint venture.

Non-controlling interests represent the share of the profits and net assets which is not attributable to the shareholders of the parent company of the Group. Non-controlling interests are valued on the basis of the share of the identified value of the net assets of the acquired company attributable to them at the time of their acquisition. Non-controlling interests are reported separately in the consolidated profit and loss statement, in the consolidated statement of comprehensive income and on the consolidated balance sheet. The disclosure on the consolidated balance sheet is made within equity, separate from the equity attributable to the shareholders of the parent company.

3 Disclosure of shares in other companies

Shares in fully-consolidated subsidiaries

Deutsche Wohnen SE had 148 subsidiaries on the reporting date (previous year: 149). Its access to the assets and liabilities of these subsidiaries is not subject to any restrictions.

Some subsidiaries have non-controlling interests which are only entitled to a share of their earnings. Non-controlling interests are recognised in equity for these companies in the consolidated financial statements. The interests of non-controlling shareholders in GSW Immobilien AG amounted to 6.1% of the overall shareholdings as at 31 December 2019 (previous year: 6.1%). GSW Immobilien AG paid out dividends in the amount of EUR 4.8 million to non-controlling shareholders in the financial year 2019.

The following consolidated financial information relates to GSW as a major subsidiary in which Deutsche Wohnen SE holds a non-controlling interest:

EUR m	GSW Group
Non-current assets	8,479.9
Current assets	532.1
Cash and cash equivalents	6.0
Non-current liabilities	–3,791.0
Current liabilities	–174.4
Net assets	**5,052.6**
Earnings from Residential Property Management	217.2
Annual earnings	**517.7**
Other comprehensive income	0.6
Change in cash and cash equivalents	–0.6
Dividend	79.3

Since 1 January 2015 Deutsche Wohnen's shareholding and thus its related share of the voting rights in the KATHARINENHOF Group has amounted to 49%; the remaining shares were acquired from Deutsche Wohnen by a group of investors on that date. Even though this disposal means that it no longer holds the majority of the voting rights in the KATHARINENHOF Group, Deutsche Wohnen continues to include this subsidiary in its consolidated financial statements by way of full consolidation in accordance with IFRS 10 due to the fact that it is able, pursuant to contractual arrangements entered into with the other shareholders and the provisions of the shareholders' agreement, to dictate the relevant activities of the KATHARINENHOF Group and is exposed to variable returns on its investment. The provisions of these agreements with regard to the tendering of the shares of the majority shareholder are to be classified as conferring substantive rights within the meaning of IFRS 10.

Deutsche Wohnen SE has assumed guarantees, sureties and other collateral vis-à-vis third parties on behalf of Group companies of EUR 2,487.8 million (previous year: EUR 2,062.0 million).

Shares in joint arrangements and associates

As of the reporting date Deutsche Wohnen holds shares in nine joint ventures and three associates (previous year: eight joint ventures and four associates). The shareholdings are reported on the balance sheet in accordance with the equity method and are currently of secondary importance; no quoted market prices are available. The table below aggregates the carrying amounts and the share of profit and other comprehensive income for these entities:

EUR m	2019	2018
Carrying amounts of entities consolidated using the equity method	**22.6**	**72.8**
Group share of earnings of immaterial entities consolidated using the equity method:		
Earnings share from continuing operations	2.4	2.8
Other comprehensive income	–	–
Pro rata total comprehensive income	**2.4**	**2.8**

Deutsche Wohnen is not subject to any material financial obligations or guarantees/ securities vis-à-vis the joint ventures or associates.

Equity interests in non-consolidated entities

Deutsche Wohnen hold shares in five (previous year: five) non-consolidated companies which are deemed to be of minor significance within the Group. These generally relate to shareholdings in other property companies. No material obligations exist vis-à-vis these companies.

Deutsche Wohnen's total risk exposure in relation to these shareholdings is equivalent to their carrying amounts. The carrying amounts of the non-consolidated companies amounted to approximately EUR 2.3 million as at 31 December 2019 (previous year: EUR 1.8 million).

C Accounting policies and valuation methods

1 Fair value measurement

The fair value is the price which would be received in return for the disposal of an asset or paid in return for the transfer of a liability in the context of a duly executed business transaction between market participants on the assessment date. The measurement of fair value is based on the presumption that the business transaction in the context of which the asset is sold or the liability is transferred occurs in either:

- the primary market for the asset or liability in question, or
- where no primary market exists, the most advantageous market for the asset or liability in question.

The Group must have access to the primary or most advantageous market. The fair value of an asset or a liability is determined by reference to the assumptions on which market participants would base their pricing of the asset or liability. This, in turn, is based on the assumption that the market participants would thereby be acting in their own best economic interests.

The Group uses valuation methods which are appropriate for the circumstances and for which sufficient data for fair value measurement are available. The use of observable inputs should be maximised and the use of unobservable inputs should be kept to a minimum.

All assets and liabilities, the fair value of which is determined or reported in the financial statements, are classified in accordance with the following fair value hierarchy, based on the input parameter at the lowest level which is of overall significance for the measurement of fair value:

- Level 1 – (Unadjusted) prices quoted in active markets for identical assets or liabilities.
- Level 2 – Valuation procedure pursuant to which the input parameter at the lowest level which is of overall significance for the fair value measurement can be directly or indirectly observed in the market.
- Level 3 – Valuation procedure pursuant to which the input parameter at the lowest level which is of overall significance for the fair value measurement cannot be observed in the market.

In the case of assets and liabilities which are recognised in the financial statements on a recurring basis, the Group will decide whether the levels within the hierarchy have been reached by carrying out a review of the classification (on the basis of the input parameter at the lowest level which is of overall significance for the fair value measurement) at the end of each reporting period.

2 Investment properties

Investment properties are properties that are held to generate rental income or for the purpose of generating value and that are not used by the company itself or held for sale in the course of normal business activities. Investment properties include land with residential and commercial buildings, undeveloped land and land subject to third-party leasehold rights.

Investment properties are valued initially at cost, including transaction costs. Subsequent to the initial recognition, investment properties are valued at their fair value. Gains or losses arising from changes in the fair value of investment properties are reported in the profit and loss statement.

An internal valuation of the residential and commercial buildings was carried out as at 31 December 2019, 30 June 2019 and 31 December 2018. The portfolio was concurrently valued by Jones Lang LaSalle SE, Frankfurt/Main, as at 31 December 2019, 30 June 2019 and 31 December 2018 in accordance with internationally accepted valuation methodologies, and the total value was confirmed. The amount of remuneration paid to the external property appraisers is calculated on a fixed-rate basis and is thus independent of the results of the property valuation. Where an absolute materiality threshold of +/– EUR 250 thousand is exceeded, value deviations between an internal determination and an external approval for individual properties will generally be no greater than +/– 10%. Overall, the result of the valuation carried out by Jones Lang LaSalle varied by approximately –0.2% (previous year: –0.2%) from that of the internal valuation. The nursing properties were valued exclusively by W&P Immobilienberatung GmbH, Frankfurt/Main.

Investment properties are derecognised when either they have been disposed or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses from the permanent withdrawal from use or disposal of investment properties are recognised in the year of their withdrawal from use or disposal.

Properties are transferred from the investment properties portfolio if there is a change of use caused by the company either starting to use the property itself or by the commencement of development with an intention to dispose.

3 Property, plant and equipment

Property, plant and equipment are stated at cost net of cumulative depreciation and amortization and cumulative impairment losses. Subsequent acquisition costs are recognised insofar as it is likely that a future economic benefit from the property, plant and equipment will accrue for Deutsche Wohnen.

Straight-line depreciation and amortization is based on the estimated useful life of the asset. The useful life of buildings is 50 years. The useful life of fixed assets is four to ten years. Any depreciation and amortization of these assets is recognised as such under expenses in the consolidated profit and loss statement.

Impairment tests regarding the carrying amounts of property, plant and equipment are performed as soon as there are indications that the carrying amount of an asset exceeds its recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in the consolidated profit and loss statement when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted if appropriate.

4 Intangible assets

Deutsche Wohnen only recognises acquired intangible assets on the balance sheet. These are valued at cost. No economic or legal restrictions are currently in place with respect to the use of the intangible assets.

Intangible assets with a certain useful life are amortised on a straight-line basis over their respective useful lives. Their useful lives are between three and five years. Any depreciation and amortization of these assets is recognised as such under expenses in the consolidated profit and loss statement.

Intangible assets with an indefinite useful life, particularly goodwill, are not amortised. Goodwill is tested annually for impairment and other intangible assets if there is an indication that they are impaired.

5 Borrowing costs

Interest on borrowings is recognised as an expense in the period in which it arises. There are no effects from the application of IAS 23, as the relevant assets (properties) are already recognised at their fair value.

6 Impairment of non-financial assets

The non-financial assets primarily comprise property, plant and equipment, intangible assets and inventories. The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, the Group estimates the asset's recoverable amount. The recoverable amount of an asset is the higher of the fair value of an asset or a cash generating unit, less costs of disposal, and its value in use. The recoverable amount is measured for each individual asset, unless the asset does not generate cash flows that are largely independent of those of other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount.

Goodwill acquired in the context of the acquisition of companies and businesses is subjected to an impairment test at least once a year. For impairment testing purposes, these assets are attributed to those cash-generating units which are expected to benefit from the synergies resulting from the acquisitions of the companies and businesses in question. These cash-generating units represent the lowest level at which these assets are monitored for corporate management purposes. For this purpose the goodwill of EUR 148.1 million is allocated as follows: EUR 140 million are allocated to the Nursing Assets segment and EUR 8.1 million were allocated to the Synvia Group.

The goodwill impairment testing involves the calculation of the value in use of the cash-generating units based on estimated future cash flows which have been derived from actual values and projected for a five-year period on the basis of a growth rate which is typical for the industry. The values in use of the cash-generating units are largely determined by the terminal value, however. Terminal value depends on the projected cash flow in the fifth year of the medium-term planning as well as the growth rate of the cash flows thereafter and the discount rate.

Non-financial assets are assessed on each reporting date in order to ascertain whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the Group estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. In this case, the carrying amount of the asset is increased to its recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of scheduled depreciation and amortization, had no impairment loss been recognised for the asset in previous years. Such reversal is recognised in the profit and loss statement. Goodwill for which an impairment loss has been recognised is not written up.

7 Financial assets

Deutsche Wohnen allocates its financial assets to the following measurement categories:

- at fair value (either through profit or loss or through other comprehensive income), and
- at amortized cost.

Classification depends on the company's business model for the financial assets and on the contractual cash flows. If the financial asset is held to collect contractual cash flows consisting solely of interest and principal payments, the asset is held at amortised cost. All other financial assets are measured at fair value. Gains and losses are recognised through profit or loss, whereby the Group has elected to measure the current equity instruments not held for trading at fair value through other comprehensive income.

Arm's-length purchases or disposals of financial assets are recognised as at the trading date, i.e. the date on which the Group undertakes to buy or sell the asset. Financial assets are derecognised when the right to receive cash flows from the financial assets expires or has been transferred and the Group has transferred essentially all of the risks and opportunities of ownership.

For first-time recognition the Group measures a financial asset at fair value, plus – in the case of a financial asset at fair value through other comprehensive income – the transaction costs directly attributable to this asset. Transactions costs of financial assets at fair value through profit or loss are recognised as expenses in the Group's income statement.

Financial assets with embedded derivatives are considered in their entirety to determine whether their cash flows consist solely of interest and principal payments.

Loss allowances for debt instruments are based on expected credit losses. The Group uses the simplified approach for trade receivables, which entails recognising the credit losses expected over the full lifetime at the first-time recognition of the receivable. Loss allowances on receivables from rental activities are recognised depending on the extent to which those receivables are past due. Reasonable individual loss allowances are made for other receivables and assets.

Interest rate hedges are reported at their fair value as determined by market-based valuation models.

A financial asset (or, where applicable, a portion of a financial asset or a portion of a grouping of similar financial assets) will be derecognised upon the expiration of the contractual entitlements to cash flows from the financial asset in question.

8 Inventories

Inventories comprise land and buildings held for sale and other inventories. Land and buildings intended for disposal are sold in the normal course of business, to the effect that it may exceed a period of twelve months.

The initial valuation is made at cost. At the reporting date, the inventories are valued at the lower of cost and net realisable value. The net realisable value is the estimated selling price realisable in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

9 Cash and cash equivalents

Cash and cash equivalents on the consolidated balance sheet comprise cash on hand and cash at bank.

10 Non-current assets held for sale

The Deutsche Wohnen Group recognises investment properties and financial liabilities associated therewith as assets held for sale where notarised sales contracts exist as at the balance sheet date but the conveyance of title take place at a later date. Properties held for sale are valued at their fair value.

11 Financial liabilities

Financial liabilities within the scope of IFRS 9 are classified by Deutsche Wohnen as:

- other financial liabilities which are measured at amortised cost,
- financial liabilities at fair value or
- derivative financial liabilities.

Financial liabilities and corporate bonds

Loans and corporate bonds are initially recognised at their fair value less the transaction costs directly associated with the borrowing. After initial recognition, the interest-bearing loans are subsequently valued at amortised cost using the effective interest method. Gains and losses are recognised in the profit or loss statement when the liabilities are derecognised or during the amortization process.

Convertible bonds

Convertible bonds, which, as financial instruments comprising bonds and share options, can be redeemed by the company either in cash or in the form of shares upon their conversion by creditors, and for which securities listings can be identified on the markets, will be valued, when reported for the first time, at the fair value commensurate with their nominal value. The transaction costs arising in connection with the issuance are reported as finance expense. As a result of the application of the fair value reporting option to compound financial instruments, the convertible bonds are subsequently valued at their market price on the relevant balance sheet date. Measurement gains and losses are recognised through other comprehensive income to the extent that they stem from changes in the default risk of the convertible bond. The remaining portion of measurement gains and losses is recognised through profit or loss.

Trade payables and other liabilities

Liabilities are initially recognised at their fair value. After initial recognition, they are valued at amortised cost using the effective interest method. Gains and losses are recognised in the profit or loss statement when the liabilities are derecognised or during the amortization process.

Liabilities to limited partners in funds

Pursuant to IAS 32, the existence of termination rights on the part of a limited partner are a material criterion for the demarcation of equity and debt capital. Financial instruments granting the owner (here: limited partner) the right to return the instrument to the issuer in return for money payments constitute a financial liability. Due to the existence of termination rights on the part of the limited partners, the limited partnership interests and the "Net assets of shareholders" are recognised as debt capital. In accordance with IAS 32.35, the profit share of the limited partners is consequently recognised as a finance expense.

The net assets of the limited partners are recognised at the fair value of any possible repayment amount at the end of the financial year. Value increases are recognised as finance expense and impairments as finance income in the consolidated profit and loss statement. The amount of the repayment obligation is governed by the limited partnership agreement.

Within Deutsche Wohnen, there are liabilities to limited partners in funds of EUR 2.4 million (previous year: EUR 2.4 million).

Liabilities incurred in connection with put options

Shares of non-controlling shareholders who hold contractually vested put options with regard to their shares, which Deutsche Wohnen would be required to purchase were the shareholders to exercise those options, are treated in a corresponding manner. For these put options Deutsche Wohnen has liabilities corresponding to the amortised cost of EUR 22.6 million (previous year: EUR 24.0 million).

A financial liability is derecognised when the obligation underlying the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability for time value. The difference between the respective carrying amounts is recognised in the profit and loss statement.

12 Pensions and other post-employment benefits

Employee benefit liabilities are recognised with regard to obligations (pension, invalidity, surviving spouse pension and surviving dependant benefits) arising in connection with pensions and ongoing benefits owed to eligible current and ormer employees and their surviving dependants. In total, there are pension commitments for 2,013 employees (of which 1,003 are active employees and 1,010 are retired employees and pensioners), which provide for pension payments on the basis of length of service and the salary level at retirement age (previous year: 783 employees, of which 271 were active employees and 512 pensioners).

Expenses for benefits granted as part of defined benefit plans are determined using the projected unit credit method. Actuarial gains and losses are recognised, without any effect on earnings, in the consolidated statement of comprehensive income.

On the basis of statutory provisions, Deutsche Wohnen pays contributions to state pension insurance funds from defined contribution plans. These current contributions are shown as social security contributions within staff expenses. Once the contributions have been paid there are no further obligations for the Group.

There is also a pension plan drawn up in accordance with the regulations governing public sector supplementary pensions. It is based on membership of a Group company in the Bayerische Versorgungskammer (hereinafter "BVK") – the supplementary pension fund for municipalities in Bavaria – as well as the Pension Institution of the Federal Republic and the Federal States (Versorgungsanstalt des Bundes und der Länder, hereinafter "VBL"). The supplementary pension comprises a partial or full reduced-earnings-capacity pension plus an age-related pension as a full pension or surviving dependant's pension. The charge levied by the BVK and the VBL is determined on the basis of the employees' compensation used to calculate the supplementary pension contribution. Changes in the structure of the VBL or a withdrawal from the institution could give rise to significant claims for payment of equivalent amounts.

The BVK and the VBL each therefore constitute a multi-employer defined benefit plan that, in accordance with IAS 19.30 (a), is accounted for as a defined contribution plan because the BVK has not provided sufficient information to account for the plan as a defined benefit plan.

No specific information is known regarding any overfunding or underfunding of the plan or the related future effects on the Deutsche Wohnen Group. Plan surpluses/ deficits could in the future result in an increase/a reduction in the amount of the premiums to be paid by Deutsche Wohnen to the BVK and the VBL.

13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects that some or all of a provision liability will be reimbursed, for example pursuant to an insurance contract, the reimbursement will be recognised as a separate asset only where the receipt thereof is a virtual certainty. The expense involved in establishing the provision will be reported in the profit and loss statement net of the reimbursed amount. If the impact of the interest rate is significant, provisions are discounted at an interest rate before tax that reflects the specific risks of the liability. In the case of discounting, the increase in provisions due over time is recognised as a finance expense.

14 Leases

As of 1 January 2019 the new IFRS 16 Leases requires Deutsche Wohnen as lessee to account for all contracts conveying the right to control the use of an identified tangible asset for a period of time in exchange for consideration by recognising a right-of-use to the leased asset and a corresponding lease liability for the present value of the payment obligations. Any renewal and termination options are taken into account when determining the term of the lease. As a rule the payment obligation is discounted using the incremental borrowing rate, since the Group cannot readily determine the rate implicit in the lease. The right-of-use asset is initially measured at cost, as determined by the initial amount of the lease liability, adjusted for lease incentives, contract costs and restoration obligations. Subsequent measurement of the right-of-use asset is the same as for comparable purchased assets, i.e. property, plant and equipment is depreciated on a straight-line basis and investment properties are measured at fair value.

The Group uses the recognition exemptions for low-value leased assets and lease terms of less than twelve months, generally recognising the lease payments on a straight-line basis as expenses in the income statement. Furthermore, the Group uses the practical expedient of not separating lease and non-lease components for vehicle leases.

Up to 31 December 2018 accounting for leases was based on whether substantially all of the risks and rewards associated with ownership of the asset could be attributed to the lessee. If Deutsche Wohnen bore the risks and rewards the lease was accounted for as a finance lease, and so the leased asset and the corresponding liability recognised accordingly. For leases in which the risks and rewards did not go to Deutsche Wohnen, the lease payments were recognised as expenses on a straight-line basis.

The new standard does not result in significant accounting changes for lessors. If an entity enters into a contract with Deutsche Wohnen as lessor which transfers essentially all of the risks and rewards to the lessee, instead of the leased item, the lease payments payable in future by the customer are recognised as the net investment amount of lease receivables from the lease.

The tenancy agreements which Deutsche Wohnen has concluded with its tenants are classified as operating leases. Accordingly, the Group acts as lessor in a diverse range of operating lease agreements (tenancies) for investment properties from which it obtains the largest part of its income and revenues.

15 Recognition of revenue and expenses

Revenue from contracts with customers
Revenues from goods or services are recognised for the amount the Group expects to receive when control passes from Deutsche Wohnen to the customer either over time or at a point in time, after the performance obligation has been satisfied. The Group particularly generates revenue from contracts with customers for nursing services, the disposal of properties and the billing of operating costs. In terms of income from operating costs, the Group acts as principal with regard to tenants for service commitments and bears the inventory risk.

Rental income
Rental income is recognised monthly over the period of the leases in accordance with the tenancy agreement.

Expenses
Expenses are reported when they are incurred in economic terms.

Interest expense and interest income
Amounts of interest are recognised as expenses or income in the period in which they accrue.

As part of the long-term performance-based remuneration there are share-based remuneration components. The remuneration components to be expensed over the vesting period correspond to the fair value of the equity-based remuneration on the reporting date. The determination of fair values is based on generally accepted valuation methodologies. Liabilities are accounted for in a corresponding amount.

16 Government grants
Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. In the case of a grant related to an expense item, it is recognised as planned income over the period necessary to match the grant on a systematic basis to the expenses that it is intended to compensate.

Deutsche Wohnen has received government grants in the form of subsidies, loans and subsidised-interest loans.

Subsidies, in the form of rent subsidies, are recognised in the profit and loss statement for the period in which the rent in question is collected. They are recognised as income from residential property management.

Loans and subsidised-interest loans are property loans and are recognised as financial liabilities. In comparison with loans made under market conditions, both offer advantages such as lower interest rates or interest-free and redemption-free periods. The loans are measured at fair value and are subsequently carried at amortised cost. However, they are to be viewed in the context of restrictions with regard to changes in the rent for the properties, which are taken into account when determining the fair value of those properties.

17 Internally generated assets

Directly attributable itemised costs and production-related fixed costs accruing in the context of the implementation of construction measures are reported in the profit and loss statement as additions to the carrying amount for the property in question where it appears likely that the construction measures concerned will give rise to a future economic benefit for Deutsche Wohnen. The revenues resulting from the first-time reporting of such items are reported in the consolidated profit and loss statement under other operating income and the subsequent valuation of the addition in question is carried out on the basis of the valuation method used for the balance sheet item relating to the property concerned.

18 Taxes

Current income tax assets and liabilities

Current income tax assets and liabilities for the current period and for previous periods are valued at the amount expected to be reimbursed by or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those enacted as at the reporting date. The amount of the forecast tax liability or tax claim is a best estimate and reflects any uncertainties under tax law.

Deferred taxes

Income taxes are recognised and measured in accordance with IAS 12. Deferred income tax assets and liabilities are formed on temporary differences. The taxable and deductible temporary differences are calculated by comparing the IFRS carrying amounts and the local tax values of assets and liabilities (adjusted for permanent differences). The tax value is calculated according to the tax regulations of the respective tax jurisdiction where the item is taxed.

Deferred tax liabilities are recognised for all temporary differences that are subject to tax, with the following exception: In respect of taxable temporary differences associated with shareholdings in subsidiaries, associates and shares in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future, deferred tax liabilities are not recognised.

Deferred tax assets are recognised for all deductible temporary differences, as yet unused tax loss carry-forwards and unused tax credits to the extent that it is probable that taxable income will be available to which the deductible temporary differences, as yet unused tax loss carry-forwards and tax credits may be applied: The following exceptions apply:
- Deferred tax assets may not be recognised for deductible temporary differences which arise from the initial recognition of an asset or a liability in a transaction that is not a business combination and that, at the time of the business transaction, affects neither the profit/loss for the period nor taxable earnings.
- Deferred tax assets from deductible temporary differences associated with shareholdings in subsidiaries, associates and shares in joint ventures are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable earnings will be available against which the temporary differences can be utilised.

The carrying amount for deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the deferred tax asset to be utilised. Unreported deferred tax assets are reviewed on every balance sheet date and reported to the extent that it appears likely that future taxable earnings will allow for the realisation of the deferred tax asset in question.

Deferred tax assets and liabilities are measured using the tax rates expected to apply to the reversal of temporary differences; either those in effect or announced on the reporting date. Deferred taxes reflect any uncertainties in income taxes.

Deferred taxes relating to items that are recognised in other comprehensive income or directly in equity are recognised in other comprehensive income or directly in equity and not in the consolidated profit and loss statement. Changes in deferred tax assets are recognised in or off the profit and loss statement on the basis of a reasonable pro rata allocation (IAS 12.63c).

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

19 Derivative financial instruments and hedging transactions

The Group uses derivative financial instruments to hedge against interest rate risks. These derivative financial instruments are recognised at their fair value at the time of the conclusion of the corresponding agreement. Derivative financial instruments are recognised as financial assets where their fair value is in a positive amount and as financial liabilities where their fair value is in a negative amount. They are subsequently valued at their fair value.

This is calculated using the discounted cash flow method, with the calculation of the present value taking account of individual credit ratings and other market factors in the form of credit rating and liquidity spreads such as are customary in the market. The valuation also takes account of the risk of non-performance (counterparty risk) and the company's own default risk in accordance with IFRS 13.42. et seq.

Deutsche Wohnen reports interest rate swaps it enters into on the balance sheet in accordance with the provisions of IFRS 9 governing hedge accounting, where the conditions for the application of the standard have been met. In addition to documentation of the hedging correlation between the hedge and the underlying item, one requirement for hedge accounting is proof of the effectiveness of the hedging correlation between the hedge and the underlying item. IFRS 9 also stipulates that if an effective hedging relationship exists, the effective portion of the change in the value of the hedged transaction is to be recognised through other comprehensive income and the non-effective portion through profit or loss. Deutsche Wohnen has tested the effectiveness of the concluded interest hedges on a prospective basis (hypothetical derivative method). In the case of derivative financial instruments which do not meet the criteria for hedge accounting, gains or losses from changes in fair value are immediately recognised in the profit or loss statement. The interest rate swaps recognised at their fair value are classified as short- or longterm assets/liabilities depending on the term of the underlying contracts.

Deutsche Wohnen only hedges cash flows which relate to future interest expenses.

20 Share-based remuneration

In the period 2014 to 2017 the Management Board of Deutsche Wohnen received share-based remuneration in the form of subscription rights (share options). The share option programme was an option plan settled with equity instruments.

The expenses incurred as a result of issuing the share options are valued at the fair value of the granted share options at the time of their granting and calculated using generally recognised option pricing models. The expenses resulting from the issuance of the share options were reported together with a corresponding increase in equity (capital reserve).

The diluting effect of the outstanding share options will be taken into account as an additional dilution in the calculation of the earnings per share to the extent that the issuance of the options and the underlying terms and conditions result in a dilution for accounting purposes of the shares of the existing shareholders.

In 2019 a restricted share unit (RSU) programme was introduced for Management Board members that has been categorised as cash-settled share-based remuneration. The assets or services acquired in the course of this remuneration programme and the corresponding liability are recognised at the fair value of the liability. The fair value of the liability is to be remeasured on each reporting date and on the settlement date until it is settled. All changes in fair value are recognised through profit or loss.

D Disclosures on the consolidated balance sheet

1 Investment properties

Investment properties are carried at fair value. Fair value developed as follows during the financial year:

EUR m	Residential and commercial buildings		Nursing facilities		Total	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Opening balance	**22,441.0**	**18,906.9**	**1,340.6**	**721.5**	**23,781.6**	**19,628.4**
Acquisitions	919.9	1,072.2	0.1	618.5	920.0	1,690.7
Additions from company acquisitions	0.0	0.0	0.0	0.0	0.0	0.0
Other additions	408.5	395.8	21.6	5.3	430.1	401.1
Disposals	–533.8	–82.1	0.0	0.0	–533.8	–82.1
Fair value adjustments	1,415.7	2,184.0	–9.0	–4.7	1,406.7	2,179.3
Reclassification	–411.4	–35.8	–160.0	0.0	–571.4	–35.8
Closing balance	**24,239.9**	**22,441.0**	**1,193.3**	**1,340.6**	**25,433.2**	**23,781.6**

The reclassification primarily relates to the properties reclassified as non-current assets and held for sale in the current financial year. The transfer of benefits and encumbrances for these properties is expected in late 2020. The additions comprise, among other things, advance payments for acquisitions of investment properties. Other additions particularly comprise capitalised construction work.

The residential and commercial buildings and the nursing facilities were valued on the basis of valuation models in accordance with Level 3 of the valuation hierarchy provided for in IFRS 13 "Fair Value Measurement". The full amount of the valuation of EUR 1,406.7 million was recognised in the consolidated profit and loss statement. This will remain unrealised until the valued properties are disposed of under market conditions.

Residential and commercial buildings

The valuation of the residential and commercial buildings as at 31 December 2019, 30 June 2019 and 31 December 2018 was conducted on the basis of the following principles developed in the context of the internal periodic valuation:

Valuation on the basis of defined clusters:
- Calculation of annual rent increases and target vacancies based on the location and physical characteristics of the properties,
- calculation of discount rates for the detailed budgeting phase,
- calculation of capitalisation rates in perpetuity.

Formulation of the valuation based on individual properties:
- Determination of the market rent as at the reporting date,
- development of rent per sqm of lettable area based on market rent and current gross rent,
- development of costs (maintenance, administration, rental loss and non-recoverable operating costs, ground rent (if applicable)),
- determination of cash flows from annual proceeds and payments and the terminal value at the end of year ten, based on the recurring cash flow expected in year eleven,
- calculation of a fair value based on the administrative unit as at the reporting date.

The discount and capitalisation rates were calculated on the basis of property-specific risk assessments.

Standardised and property-specific approaches for each asset are used to determine maintenance expenses for the purposes of property valuation. The property-specific approach considers the condition of each property, as well as experience of regular maintenance work in the past.

A further review of the valuation by an independent third party took place as at the balance sheet date. The valuation methods used for the internal valuation and for the valuation by third parties are therefore the same. Undeveloped land is valued by external appraisers on the basis of land values or based on a earnings-oriented method.

The following overview shows the valuation parameters used for the individual clusters. The following overview summarises the valuation parameters applied with respect to the individual clusters and indicates all of the sub-clusters within the main Core^{+}, Core and Non-Core clusters having an overall share of the total property value of at least 10%. Sub-clusters which do not reach this threshold are reported on an aggregate basis. The stated figures are based on the ranges present within each cluster and the weighted average:

31/12/2019			Core^{+}	Core	Non-Core	Total
	Berlin	Other	Total	Total	Total	Total
Carrying amount (EUR m)	17,684	4,962	22,647	1,136	638	**23,788**
Carrying amount (EUR/sqm)	2,595	2,141	2,480	1,356	6	**2,384**
Share of carrying amount in %	74.3	20.9	95.2	4.8	0.0	**100**
In-place rent (EUR/sqm)	6.96	7.13	7.00	6.01	5.15	**6.92**
Market rent increases p.a. in %	2.43	2.28	2.40	1.96	0.90	**2.4**
Vacancy rate in %	2.4	3.6	2.7	3.5	6.7	**2.8**
Multiple	31.0	24.9	29.5	19.1	11.0	**28.7**
Discount rate in %	4.7	5.2	4.8	5.8	6.9	**4.9**
Capitalisation rate in %	3.4	4.2	3.6	4.7	6.5	**3.6**
Maintenance costs (EUR/sqm/p.a.)	13.62	13.57	13.61	14.15	15.17	**13.66**

31/12/2018			Core^{+}	Core	Non-Core	Total
	Berlin	Other	Total	Total	Total	Total
Carrying amount (EUR m)	16,399	3,822	20,221	1,464	5	**21,690**
Carrying amount (EUR/sqm)	2,416	1,809	2,271	1,216	580	**2,145**
Share of carrying amount in %	75.6	17.6	93.2	6.7	0.0	**100.0**
In-place rent (EUR/sqm)	6.71	6.69	6.70	5.87	5.10	**6.60**
Market rent increases p.a. in %	3.38	2.65	3.20	1.61	0.36	**3.1**
Vacancy rate in %	2.1	3.2	2.4	2.9	4.3	**2.4**
Multiple	30.1	22.4	28.3	17.4	9.7	**27.1**
Discount rate in %	4.4	5.5	4.6	5.7	7.8	**4.7**
Capitalisation rate in %	4.0	4.7	4.2	5.3	7.5	**4.2**
Maintenance costs (EUR/sqm/p.a.)	11.30	11.70	11.40	12.0	12.80	**11.40**

There may be some interplay between non-observable input factors. For example a rise in the vacancy rate due to greater risk exposure may have an effect on the discount factor; a fall in the vacancy rate may potentially result in higher rent increases and higher realisable rents may also trigger an increase in maintenance expenses.

An adjustment to the key valuation parameters (market rental growth during the detailed planning phase 20% lower than anticipated; 0.1% discount rate; 0.1% increase in the capitalisation rate) would result in the following non-cumulative value adjustments to the carrying amount of the residential and commercial buildings:

31/12/2019			Core+	Core	Total
in %	Berlin	Other	Total	Total	
Market rental growth	–8.20	–5.85	–7.68	–4.80	**–7.55**
Discount rate	–1.44	–0.87	–1.32	–0.26	**–1.27**
Capitalisation rate	–2.78	–1.60	–2.52	–0.63	**–2.43**

31/12/2018			Core+	Core	Total
in %	Berlin	Other	Total	Total	
Market rental growth	–6.20	–4.06	–5.79	–3.21	**–5.62**
Discount rate	–0.82	–0.68	–0.80	–0.75	**–0.79**
Capitalisation rate	–1.77	–1.23	–1.67	–1.23	**–1.64**

There is no need to provide a separate sensitivity analysis for the Berlin cluster for the effects of the Berlin Rent Cap Act, because the effects of the legislation forecast as of the reporting date are already reflected in the fair value of the residential and commercial buildings. Otherwise we refer to our comments in note I.4 Events after the balance sheet date.

Nursing facilities

The nursing facilities were valued as of 31 December 2018 and 31 December 2019 by W&P Immobilienberatung GmbH. The key inputs for the valuation were average market rents, discount rates, capitalization rates and maintenance expenses:

	31/12/2019	31/12/2018
Market rent (EUR/sqm)	9.97	9.33
Discount rate in %	4.73	4.60
Maintenance costs (EUR/sqm/p.a.)	11.32	10.02

Any adjustment of these material input factors (lowering of market rents by 5%; increase in the discount rate of 0.1%; increase in maintenance expenses of 10%) will result in the following non-cumulated fair value adjustments on the basis of the carrying amount of the nursing properties:

in %	31/12/2019	31/12/2018
Market rent	–5.0	–5.0
Discount rate	–2.0	–2.0
Maintenance costs	–1.0	–1.0

The investment properties to some extent serve as collateral for the loans. There are also agreements in place in individual cases pursuant to which the condition of the properties may not deteriorate or the average minimum investments have been determined on a per-square-metre basis.

2 Leases in which the group is a lessor

The rental agreements concluded by Deutsche Wohnen with its tenants generated rental income in the amount of EUR 837.3 million (previous year: EUR 785.5 million). The expenses directly associated with the investment properties amounted to EUR 466.9 million (previous year: EUR 466.7 million).

In 2020, Deutsche Wohnen will receive minimum lease payments totalling approximately EUR 215 million pursuant to existing operating lease agreements concluded with third parties (termination thereof assumed to be subject to the statutory notice period of three months) and in connection with its current property portfolio for the Residential Property segment.

In the context of its Assisted Living and Nursing Services operations, Deutsche Wohnen will receive additional minimum lease payments in the amount of approximately EUR 5.2 million in 2020 (average contractually stipulated period of notice for termination: one month). Deutsche Wohnen is set to realise leasing income from the nursing properties under external management in the amount of approximately EUR 35 million in the financial year 2020.

In addition to the limitations imposed by law, Deutsche Wohnen is also to some extent subject to restrictions with regard to rent increases in the case of tenants with certain prior claims and in connection with grants in the form of subsidised-interest loans or investment subsidies. Additionally, we are required to comply with legal stipulations in the context of the privatisation of residential units.

Leases of certain broadband cable networks were classified as finance leases and gave rise to a lease receivable of EUR 31.0 million as of 31 December 2019 (previous year: EUR 32.9 million) and interest income of EUR 1.5 million (previous year: EUR 1.5 million). The term structure of the receivable is as follows:

EUR m	31/12/2019	31/12/2018
Nominal amount of outstanding lease payments	**39.4**	**42.7**
Of which due within one year	3.8	3.7
Of which due within one to two years	3.8	3.8
Of which due within two to three years	3.7	3.8
Of which due within three to four years	3.5	3.7
Of which due within four to five years	3.6	3.5
Of which due after more than five years	21.0	24.2
Plus non-guaranteed residual values	**0.2**	**0.2**
Less unrealised financial income	**–8.6**	**–10.0**
Net present value of outstanding lease payments	**31.0**	**32.9**

3 Property, plant and equipment

Land and buildings, technical facilities and plant and equipment classified under IAS 16 are reported under this item. They developed as follows during the financial year:

31/12/2019

EUR m	Owner-occupied properties	Technical facilities and machinery	Office furniture and equipment	Total
Cost				
Opening balance	30.4	117.2	41.6	189.2
Additions	14.5	61.4	10.0	85.9
Additions by way of company acquisitions	3.9	2.3	7.1	13.3
Disposals	–1.0	–25.4	–2.6	–29.0
Reclassifications	–0.6	9.1	–8.5	0.0
Closing balance	**47.2**	**164.6**	**47.6**	**259.4**
Cumulative depreciation and amortization				
Opening balance	5.1	22.2	15.4	42.7
Additions	2.4	20.9	7.5	30.8
Disposals	–0.2	–3.0	–2.4	–5.6
Closing balance	**7.3**	**40.1**	**20.5**	**67.9**
Net carrying amounts	**39.9**	**124.5**	**27.1**	**191.5**

31/12/2018

EUR m	Owner-occupied properties	Technical facilities and machinery	Office furniture and equipment	Total
Cost				
Opening balance	18.8	84.4	24.1	127.3
Additions	8.8	46.1	17.7	72.6
Additions by way of company acquisitions	0.0	3.7	0.8	4.5
Disposals	0.0	–17.0	–1.0	–18.0
Reclassifications	2.8	0.0	0.0	2.8
Closing balance	**30.4**	**117.2**	**41.6**	**189.2**
Cumulative depreciation and amortization				
Opening balance	4.4	18.5	12.1	35.0
Additions	0.7	10.7	4.2	15.6
Disposals	0.0	–7.0	–0.9	–7.9
Closing balance	**5.1**	**22.2**	**15.4**	**42.7**
Net carrying amounts	**25.3**	**95.0**	**26.2**	**146.5**

The land and buildings included in property, plant and equipment (EUR 31.5 million, previous year: EUR 25.3 million) are pledged as collateral.

The right-of-use assets included in property, plant and equipment changed as follows in the reporting period:

31/12/2019

EUR m	Heat contracting	Metering technology	Commercial leases for office properties	Vehicle leases	Total
Cost					
Opening balance	100.6	0.0	0.0	0.0	100.6
Additions	24.3	32.1	6.1	1.0	63.5
Additions from company acquisitions	0.0	0.0	3.9	0.3	4.2
Disposals	–23.4	–1.7	–0.5	0.0	–25.6
Reclassifications	0.0	0.0	0.0	0.0	0.0
Closing balance	**101.5**	**30.4**	**9.5**	**1.3**	**142.7**
Cumulative depreciation and amortization					
Opening balance	20.2	0.0	0.0	0.0	20.2
Additions	14.0	4.1	1.3	0.4	19.8
Disposals	–2.4	–0.5	–0.2	0.0	–3.1
Closing balance	**31.8**	**3.6**	**1.1**	**0.4**	**36.9**
Net carrying amounts	**69.7**	**26.8**	**8.4**	**0.9**	**105.8**

Lease payments recognised through profit or loss under the recognition exception for low-value leased items and short-term leases (less than twelve months) came to EUR 0.8 million and EUR 0.3 million respectively in the reporting year. Income from sub-letting right-of-use assets came to EUR 18.9 million.

4 Intangible assets

The changes in intangible assets were as follows:

31/12/2019

EUR m	Goodwill	Other	Total
Cost			
Opening balance	22.2	25.8	48.0
Additions	0.0	2.3	2.3
Additions by way of company acquisitions	128.6	38.7	167.3
Disposals	2.7	−0.2	–2.9
Reclassifications	0.0	0.1	0.1
Closing balance	**148.1**	**66.7**	**214.8**
Cumulative depreciation and amortization			
Opening balance	0.7	15.9	16.6
Additions	2.0	10.2	12.2
Disposals	–2.7	−0.2	–2.9
Closing balance	**0.0**	**25.9**	**25.9**
Net carrying amounts	**148.1**	**40.8**	**188.9**

31/12/2018

EUR m	Goodwill	Other	Total
Cost			
Opening balance	11.4	20.1	31.5
Additions	0.0	5.4	5.4
Additions by way of company acquisitions	10.8	0.3	11.1
Disposals	0.0	0.0	0.0
Closing balance	**22.2**	**25.8**	**48.0**
Cumulative depreciation and amortization			
Opening balance	0.0	12.5	12.5
Additions	0.7	3.4	4.1
Disposals	0.0	0.0	0.0
Closing balance	**0.7**	**15.9**	**16.6**
Net carrying amounts	**21.5**	**9.9**	**31.4**

Additional goodwill of EUR 128.6 million stems from the purchase price allocation for the acquisition of PFLEGEN & WOHNEN HAMBURG Group (see chapter B.1). "Basis of consolidation" for further information). Goodwill essentially represents the earnings potential of the business acquired, as well as synergy effects resulting from the integration of the PFLEGEN & WOHNEN HAMBURG Group into the Nursing properties segment. The goodwill has been allocated in full to the operating segment Nursing properties. Goodwill of EUR 11.4 million from the HSD transaction was also allocated to the Nursing properties segment, since it also reflects the synergy potential within the segment. Impairment testing of goodwill of EUR 140 million allocated to the Nursing properties segment was based on the following premises and market-based parameters:

The projected inflows of funds were calculated on the basis of past experience and take account of expected market growth in the specific business areas.

The cash flows after the five-year detailed budgeting phase are extrapolated on the basis of a growth rate of 1.0% which does not exceed the average rate of growth in the market or the industry.

The discount rate is calculated on the basis of average weighted capital costs for the nursing and healthcare sector. The present value is calculated using a discount rate based on the Group's weighted capital cost rate of 5.11% before taxes.

The purchase price allocation for the Getec Media transaction was concluded in the financial year 2019 and the provisional fair values were confirmed upon its first-time consolidation. Goodwill after impairment of EUR 8.1 million reflects the earnings potential of the entities acquired and has been allocated in full to the acquired group of companies. Impairment testing of the goodwill was performed on the basis of the following planning premises and market-based parameters:

The projected inflows of funds were calculated on the basis of past experience and take account of expected market growth in the specific business areas.

The cash flows after the fifteen-year detailed budgeting phase are extrapolated on the basis of a growth rate of 1.2% which does not exceed the average rate of growth in the market or the industry. The period of the detailed planning phase reflects the long-term project cycles of the business.

The discount rate is calculated on the basis of weighted average capital costs. The present value is calculated using a discount rate based on the Group's weighted capital cost rate of 8.81% before taxes.

Goodwill of EUR 2.0 million from the Helvetica Services transaction was written off in full because the acquired operations were discontinued.

5 Land and buildings held for sale

The increase in the land and buildings held for disposal is largely due to the structuring of the property portfolio and the allocation of properties to the Disposals segment. In the financial year 2019, proceeds of EUR 17.5 million (previous year: EUR 27.3 million), were achieved. The proceeds were partly offset by carrying amounts of assets sold of EUR 11.9 million (previous year: EUR 19.5 million).

6 Trade receivables

Receivables are made up as follows:

EUR m	31/12/2019	31/12/2018
Receivables from rental activities	15.4	12.3
Receivables from the disposal of land	3.3	5.9
Other trade receivables	6.3	4.2
	25.0	**22.4**

Receivables from rental activities are interest-free and are always overdue. Impairments are carried out on an age distribution basis and depending on whether the tenants in question are current or former tenants. Loss allowances have been recognised for almost all overdue receivables.

In the financial year 2019, rent receivables of EUR 2.2 million (previous year: EUR 0.9 million) were written down as impaired. The loss allowance on receivables as at 31 December 2019 amounted to EUR 18.4 million (previous year: EUR 21.6 million) and results largely from further loss allowances in the reporting year.

Receivables from the disposal of land are interest-free and are due between 1 and 90 days.

Receivables from the sale of land are not impaired and only overdue to a very minor extent.

Other receivables are interest-free and are generally due within a period of between 1 and 90 days.

7 Derivative financial instruments

Deutsche Wohnen concluded several interest hedging transactions for a nominal amount of EUR 1.2 billion (previous year: EUR 1.3 billion). The cash flows from the underlying transactions, which are secured in the scope of the cash flow hedge accounting, will be realised in the years from 2025 to 2029. The strike rates are between 0.88% and 1.49% (previous year: between –0.20% and 1.49%). The total fair value of these transactions (aggregate of both positive and negative amounts) amounted to EUR –50.8 million as at 31 December 2019 (previous year: EUR –14.6 million).

There are no significant default risks, given that the interest rate swaps were concluded solely with banks with good credit ratings. If the interest rate level changes, the fair value changes accordingly. Income and expenses are recognised in equity for the effective part of a hedge, while the non-effective part is recognised within current earnings.

The fair values and nominal values of all the interest rate hedges are shown below by remaining term to maturity:

EUR m	Fair values		Nominal values	
Maturity	2019	2018	2019	2018
Up to 1 year	0.0	–0.3	35.0	122.0
From 1 to 5 years	–1.2	–1.7	77.0	220.2
From 5 to 10 years	–49.6	–12.6	1,112.7	966.8
	–50.8	**–14.6**	**1,224.7**	**1,309.0**

The negative carrying amount of interest rate hedges presented in hedge accounting is EUR 18.9 million (previous year: EUR 6.0 million) and is shown under liabilities in the balance sheet item "Derivative instruments by maturity". The cash flow hedge reserve developed as follows:

EUR m	2019	2018
Opening balance as of 01/01	–3.4	–2.0
Plus: amount of change in fair value of hedging instruments recognised in other comprehensive income	–14.1	–3.5
Less: amount reclassified from other comprehensive income to interest expenses	1.5	1.7
Less: deferred taxes	3.1	0.4
Final balance as at 31/12	**–12.9**	**–3.4**

EUR 0.3 million was reclassified to interest expenses as ineffective in the reporting year. The following table shows the nominal amounts and the weighted average hedged rate from the hedging relationship:

EUR m	2019	2018
Nominal amount	250.5	298.2
Weighted average hedged rate in the financial year in %	0.93	0.44

8 Cash and cash equivalents

The cash and cash equivalents of EUR 685.6 million (previous year: EUR 332.8 million) mainly consist of cash at bank and cash on hand. Bank balances earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rate.

9 Equity

Please refer to the consolidated statement of changes in equity with regard to the development of the Group's equity.

a) Issued share capital

The registered share capital of Deutsche Wohnen SE as at 31 December 2019 amounted to EUR 359,715,653.00 (previous year: EUR 357,014,286.00). It is divided into 359,715,653 no-par value bearer shares each representing a notional share of the registered capital of EUR 1.00 per share. Deutsche Wohnen SE issues bearer shares only. The share capital has been fully paid in.

All shares carry the same rights and obligations. Each share entitles the holder to one vote at the Annual General Meeting and determines the shareholders' shares in the profits of the company. The rights and obligations of the shareholders are outlined in detail in the provisions of the German Stock Corporation Act [Aktiengesetz – AktG], in particular sections 12, 53a et seq., 118 et seq. and 186. There are no shares with special rights conferring powers of control.

The Management Board of Deutsche Wohnen SE is not aware of any restrictions affecting voting rights or any transfer of shares.

In the event of a capital increase, the new shares are issued as bearer shares.

Changes in authorised capital

EUR thousand	
Authorised capital 2018/I	
As at 1 January 2019	110,000
Utilisation	2,617
As at 31 December 2019	**107,383**

By resolution of the Annual General Meeting held on 15 June 2018, which was entered into the commercial register on 16 August 2018, the Management Board has been authorised to increase the company's issued capital, with the consent of the Supervisory Board, by up to EUR 110 million once or several times during the period until 14 June 2023 by means of the issuance of up to 110 million new ordinary bearer shares against cash contributions and/or contributions in kind (authorised capital 2018/I). EUR 2,617,281 of this authorisation was used to issue 2,617,281 new shares in the course of the capital increase for subscription in kind, contributed in the form of pro rata dividend rights. After this partial use there is still EUR 107,382,719.00 of authorised capital 2018/I available for the issue of up to 107,382,719 ordinary bearer shares. As a rule, shareholders must be granted subscription rights when shares are issued from authorised capital. However, in certain cases, the Management Board is entitled to exclude the subscription rights of shareholders with the consent of the Supervisory Board and subject to the detailed provisions of the Articles of Association.

Changes in contingent capital

EUR thousand	2014/II	2014/III	2015/I	2017/I	2018/I	Total
As at 1 January 2019	**5,873**	**12,791**	**50,000**	**30,000**	**35,000**	**133,664**
Capital increase by issue of shares to settle the SOP 2014		–63				–63
Capital increase by issue of put options (GSW control agreement)[1]	–21	–	–	–	–	–21
As at 31 December 2019	**5,852**	**12,728**	**50,000**	**30,000**	**35,000**	**133,580**

1 The changes in the capital amounts were entered into the commercial register on 5 February 2020.

The issued capital has contingently been increased by a total of up to EUR 133.58 million by means of the issuance of up to approximately 133.58 million new no-par value bearer shares with dividend rights generally from the start of the financial year of their issuance (contingent capital 2014/II, contingent capital 2014/III, contingent capital 2015/I, contingent capital 2017/I and contingent capital 2018/I).

Issuance of option rights, bonds with warrants or conversion rights, profit participation rights or profit-sharing bonds

The resolution adopted at the Annual General Meeting held on 15 June 2018 authorised the Management Board, subject to the approval of the Supervisory Board, to issue no-par value convertible and/or warrant bearer bonds and/or profit participation rights with option or conversion rights (or a combination of these instruments) with a nominal value of up to EUR 3.0 billion, and to grant the creditors thereof conversion or option rights for the Company's shares representing a share of the issued capital of up to EUR 35 million. The share issue will only take place insofar as conversion rights arising out of the convertible bonds are exercised, or insofar as conversion obligations arising out of the bonds are fulfilled, and own shares, shares issued out of authorised capital or other benefits are not used to service the obligations.

Acquisition of own shares

The acquisition of own shares is authorised pursuant to article 9 para. 1 c)(ii) SE Regulation in conjunction with section 71 ff. German Stock Corporation Act [Aktiengsetz – AktG] and also, as at the balance sheet date, by the Annual General Meeting held on 15 June 2018. The Management Board is authorised, with the consent of the Supervisory Board and subject to compliance with the principle of equal treatment of shareholders (article 9 para. 1 c)(ii) SE Regulation in conjunction with section 53a German Stock Corporation Act [Aktiengesetz – AktG]) to purchase and use the company's own shares to 14 June 2023 up to a total amount of 10% of the company's outstanding share capital at the time the resolution is passed, or at the time the authorisation is used if this figure is lower. Shares acquired using this authorisation together with other own shares the company has previously acquired and still holds or are attributable to it under section 71a ff. of the German Stock Corporation Act [AktG] may not at any time exceed 10% of the company's share capital. The authorisation may not be used for the purpose of trading in own shares.

On 12 November 2019 the Management Board made use of this authorisation, with the approval of the Supervisory Board, and adopted a share buyback programme for up to 25 million shares and a total purchase price (without incidental costs) of up to EUR 750 million. The buyback began on 15 November 2019 in Xetra trading at Frankfurt Stock Exchange and will end at the latest at the close of 30 October 2020. The own shares are to be used for purposes permitted under the authorisation to purchase own shares adopted at the Annual General Meeting on 15 June 2018. Detailed information in accordance with Art. 5 para. 1 b) and para. 3 Regulation (EU) No. 596/2014 in conjunction with Art. 2 para. 2 and para. 3 Delegated Regulation (EU) No. 2016/1052 is available online from www.deutsche-wohnen.com/share-buy-back.

As of 31 December 2019 the company held 2,628,698 own shares. A share capital of EUR 2,628,698.00 is attributable to these own shares.

b) Capital reserve

The capital reserve increased by EUR 82.2 million due to the in-kind contribution from the share dividend in June 2019, from which EUR 0.4 million incurred for the capital increases and EUR 0.1 million in profit tax effects related to these costs were deducted. In addition, the capital reserve was reduced by EUR 96.8 million for the purchase of own shares. Other immaterial effects on the capital reserve resulted from the share option programme and the in-kind contribution as a result of the control agreement with GSW Immobilien AG.

c) Retained earnings

Retained earnings comprise the revenue reserve of Deutsche Wohnen and the accumulated profit/loss carried forward.

The maintenance of the statutory reserve is mandatory for German public limited companies [Aktiengesellschaften]. An amount equivalent to 5% of the profit for the financial year is to be retained pursuant to section 150 para. 2 of the German Stock Corporation Act [AktG]. The amount of the statutory reserve is subject to a cap of 10% of the issued capital. In accordance with section 272 para. 2 No. 1–3 of the German Commercial Code [Handelsgesetzbuch – HGB], any existing capital reserves are to be taken into account and the provisions required for the statutory reserve reduced accordingly. This is measured on the basis of the issued share capital which exists and is legally effective at the reporting date and which is to be reported in this amount on the respective annual balance sheet. The statutory reserve remains unchanged at EUR 1.0 million.

d) Non-controlling interests

The share of non-controlling interests largely relates to the shares of third parties in the earnings of the fully-consolidated holding companies not wholly owned by Deutsche Wohnen.

10 Financial liabilities

The company has taken on bank loans particularly to finance property and company transactions and property acquisitions.

The financial liabilities are hedged at approximately 81.8% (previous year: approximately 84.7%) at a fixed rate and/or through interest rate swaps. The average rate of interest was approximately 1.4% (previous year: approximately 1.5%).

The loan renewal structure based on the current outstanding liability is as follows:

EUR m	Carrying amount	Nominal amount	2019	2020	2021	2022	2023	≥2024
Loan renewal structure 2019	6,327.7	6,375.1	–	46.1	23.2	173.0	749.5	5,383.3
Loan renewal structure 2018	6,184.6	6,247.8	13.0	106.4	121.4	450.5	751.9	4,804.7

The liabilities are almost entirely secured by property as collateral.

11 Corporate bonds and convertible bonds

Deutsche Wohnen issued various registered and bearer bonds in 2019, increasing the outstanding nominal volume of these instruments by some EUR 1,100 million. As of 31 December 2019 commercial paper with a volume of EUR 60 million was repaid and outstanding portions of the corporate bond were redeemed for around EUR 221 million.

The following Deutsche Wohnen bonds were outstanding as at 31 December 2019:

Type	Issuance	Maturity max.	Nominal (EUR m)	Coupon % p.a.	Carrying amount (EUR m)	Conversion price (EUR/share)
Convertible bonds	2017	2024	800.0	0.325	841.9	47.4859
Convertible bonds	2017	2026	800.0	0.600	840.9	49.9189
Total convertible bonds			**1,600.0**		**1,682.8**	
Corporate bond	2015	2020	278.8	1.375	280	–
Registered bonds	2017–2019	2026–2032	475.0	0.9–2.0	476.2	–
Bearer bonds	2018–2019	2020–2036	1,264.5	0.0–2.5	1,258.0	–

12 Employee benefit liabilities

The company's pension scheme consists of defined benefit and defined contribution plans. The average term of the obligations is approx. 18.2 years (previous year: 14.1 years), payments from pension benefit plans for 2020 are expected in the amount of EUR 4.1 million (less payments on plan assets) (previous year: EUR 3.6 million).

Employee benefit liabilities are determined using the projected unit credit method in accordance with IAS 19. Future obligations are measured using actuarial methods that estimate the relevant parameters.

The level of pension obligations (defined benefit obligation of the pension commitments) was calculated in accordance with actuarial methods on the basis of an external expert report and the following factors:

in %	31/12/2019	31/12/2018
Discount rate	0.75	1.60
Future salary increases	3.02	2.50
Future pension increases	1.50	1.75
Increase in the contribution assessment ceiling	1.99	2.25
Mortality tables	R 18G	R 18G

The trend in salaries includes expected future salary increases that depend, among other things, on the inflation rate and the length of service in the company.

The employee benefit liabilities taken over in the scope of the BauBeCon acquisition are financed through the ufba – Unterstützungskasse zur Förderung der betrieblichen Altersversorgung e.V. (Assistance Fund for the Promotion of Company Pension Plans inc. soc.) – and recognised on the balance sheet as plan assets. The valuation used a discount rate of 0.65% (previous year: 1.6%).

The following summary shows the financing status of the Group's pension plans, which is at the same time equivalent to the balance sheet amount:

EUR m	31/12/2019	31/12/2018
Present value of employee benefit liabilities	115.0	71.3
Less fair value of the plan assets	–7.8	–7.9
	107.2	**63.4**

The following table shows the development of the present value of the defined benefit liabilities and the fair value of the plan assets:

EUR m	31/12/2019	31/12/2018
Opening balance employee benefit liability	71.3	73.8
Additions by way of company acquisitions	27.8	–
Pension payments	–3.4	–3.5
Interest expense	1.6	1.1
Service cost	2.1	0.6
Reclassified to other provisions	0.7	
Actuarial gains/losses	14.9	–0.7
Closing balance employee benefit liability	**115.0**	**71.3**
Of which pension plans funded by plan assets	11.7	10.7
Of which pension plans not funded by plan assets	103.3	60.6
Opening balance plan assets	7.9	8.1
Interest revenues from plan assets	0.1	0.1
Pension payments from plan assets	0.0	–0.4
Actuarial gains/losses	–0.2	0.1
Closing balance plan assets	**7.8**	**7.9**

The pension expenses comprise the following:

EUR m	2019	2018
Interest expense	–1.5	–1.1
Service cost	–2.1	–0.6
	–3.6	**–1.7**

Pension commitments include old-age, disability, surviving spouse and surviving dependant pensions. They are based on the last fixed annual gross salary. Different benefit plans apply depending on the employee's position in the company.

The pro rata interest expenses are recognised as "Interest expenses" in the consolidated profit and loss statement, while current pension payments, service expenses and adjustments to current pensions are recognised as "Staff expenses".

Total expenses of EUR 15.4 million (previous year: EUR 8.8 million) were incurred for defined contribution pensions. Therefore, total expenses for retirement provisions (defined benefit and defined contribution) amounted to EUR 19 million (previous year: EUR 10.5 million). For 2019, based on the current number of employees, the cost will come to EUR 18.2 million.

A drop in the interest rate of 0.25% would result in an increase in pension obligations of 4.24%; an interest rate increase of 0.25% would result in a reduction of pension obligations of 3.98%. A drop in the pension progression of 0.25% would result in an increase in pension obligations of 3.01%; a pension progression increase of 0.25% would result in a reduction of pension obligations of 3.15%.

The sensitivity calculations are based on the average term of the pension liabilities determined as at 31 December 2019. They were carried out for each of the actuarial parameters classified as significant with a view to demonstrating the effect on the present value of the employee benefit liabilities calculated as at 31 December 2019 on a separate basis. Given that the sensitivity analyses are based on the average term of the expected pension liabilities and consequently do not take account of the expected payment dates, they provide only approximate information or indications of future trends.

We do not currently consider that any further changes to the relevant actuarial parameters are likely to occur which could result in material adjustments to the carrying amounts of the employee benefit liabilities over the next few years.

Provisions of EUR 12 thousand (previous year: EUR 12 thousand) have been established for commitments made for the benefit of any members of the Management Board becoming unable to work. These are also recorded under employee benefit liabilities.

13 Liabilities arising out of finance leases

Deutsche Wohnen recognises liabilities of EUR 169.4 million for leases for heat contracting, land leases, commercial property leases and vehicle leases as of year-end (previous year: EUR 146.3 million). They are shown according to their term structure in other financial liabilities. Interest expenses for lease liabilities was EUR 2.8 million in financial year 2019.

The leases give rise to the following financial liabilities:

31/12/2019

EUR m	Due within one year	Due in 1 to 5 years	Due after 5 years
Payments	23.4	73.0	139.5
Interest component	–2.7	–8.7	–55.1
Redemption component	**20.7**	**64.3**	**84.4**

31/12/2018

EUR m	Due within one year	Due in 1 to 5 years	Due after 5 years
Payments	15.4	54.6	152.9
Interest component	–2.3	–8.0	–66.3
Redemption component	**13.1**	**46.6**	**86.6**

14 Other provisions

The other provisions comprise the following:

EUR m	Restructuring	Legal risks	Other	Total
Opening balance	**1.9**	**6.7**	**16.0**	**24.6**
Additions by way of company acquisitions	0.0	0.0	0.8	0.8
Utilisation	–0.1	–0.5	–3.2	–4.7
Reversal	0.0	–0.5	–1.3	–1.8
Additions	2.4	15.1	15.6	33.1
Closing balance	**3.3**	**20.8**	**27.9**	**52.0**
Of which: non-current	1.5	19.7	23.2	44.4
Of which: current	1.8	1.1	4.7	7.6

Other provisions (EUR 27.9 million; previous year: EUR 16.0 million) relate to a large number of third-party liabilities.

The additions include accrued interest on non-current provisions of EUR 0.2 million.

15 Tax liabilities

The amount of tax liabilities (EUR 26.2 million; previous year: EUR 36.0 million) primarily comprises provisions for current taxes and for possible tax-related risks arising in connection with external audits.

16 Deferred taxes

The deferred taxes comprise the following:

EUR m	31/12/2019	Change	31/12/2018
Deferred tax assets			
Properties	1.7	–0.2	1.9
Pensions	14.3	5.4	8.9
Loss carry-forwards	316.9	49.7	267.2
Interest rate hedges	11.6	7.6	4.0
Loans	1.2	0.6	0.5
Convertible bonds	9.5	–4.8	14.3
Other	55.7	13.7	42.0
	410.8	**72.0**	**338.8**
Netting	–410.7	–72.1	–338.7
Carrying amount	0.1	–0.1	0.1
Deferred tax liabilities			
Loans	13.5	–5.5	19.0
Properties	4,061.6	536.1	3,525.5
Other	49.4	10.6	38.9
	4,124.5	**541.2**	**3,583.4**
Netting	–410.7	–72.1	–338.7
Carrying amount	3,713.8	469.1	3,244.7
Deferred taxes (net)	**3,713.7**	**469.0**	**3,244.6**

The changes in deferred taxes in 2019 and 2018 are as follows:

EUR m	2019	2018
Acquisition	–3.3	0.0
Reported directly in other comprehensive income	18.9	–11.6
Recognised in profit/loss	–484.6	–736.7
	–469.0	**–748.3**

The actuarial gains and losses from pensions, changes in the fair value of the effective hedges and the counterparty risk of convertible bonds are recognised directly in other comprehensive income. The resulting deferred taxes are also recognised in other comprehensive income and consist of EUR 3.3 million (previous year: EUR 0.1 million) for actuarial gains and losses, EUR 3.1 million (previous year: EUR 0.4 million) for fair value changes of effective hedges, and EUR 12.5 million (previous year: EUR –12.1 million) for the counterparty risk of convertible bonds.

The increase in the amount of the deferred tax liabilities with regard to properties in the financial year 2019 was largely the result of the revaluation of the investment properties.

In the area of the extended property reduction, an adjustment of the underlying estimates led to a negative effect on earnings of EUR 7.9 million.

The Deutsche Wohnen Group has corporation tax loss carry-forwards in the amount of EUR 1,648.6 million (previous year: EUR 1,542.9 million) and trade tax loss carry-forwards in the amount of EUR 1,394.4 million (previous year: EUR 1,277.9 million). The amounts of corporation and trade tax loss carry forwards for which no deferred tax assets are recognised amount to EUR 545.0 million (previous year: EUR 596.5 million) and EUR 397.9 million (previous year: EUR 447.0 million). In general, loss carry-forwards do not expire. Furthermore, the Deutsche Wohnen Group had not created any deferred tax assets on the total interest carry-forwards in the amount of EUR 67.3 million, since due to the capital structure it cannot be assumed that these can be used in the future.

In the 2019 fiscal year, no deferred tax assets were recognised for temporary differences of EUR 40.1 million (previous year: EUR 37.7 million) because it is unlikely that sufficient taxable income will be generated for these amounts in the near future.

No deferred tax liabilities were recognised for profits of EUR 8,927.7 million accrued at subsidiaries (previous year: EUR 7,490.9 million), because these profits are intended to stay invested for an indefinite period or are not subject to tax. If the subsidiaries make a distribution or are sold, 5% of the distribution or disposal gain is subject to tax, which would generally give rise to an additional tax payment.

E Disclosures on the consolidated income statement

The consolidated profit and loss statement is prepared using the total cost method.

1 Contracted rental income and operating costs

The income from contracted rental income and operating costs is made up as follows:

EUR m	2019	2018
Contractual rent	860.7	807.7
Subsidies	0.9	0.8
	861.6	**808.5**
Vacancy losses	–24.3	–23.0
	837.3	**785.5**
Operating costs	359.4	337.4
	1,196.7	**1,122.9**

2 Expenses from Residential Property Management

The expenses from Residential Property Management are made up as follows:

EUR m	2019	2018
Maintenance costs	102.4	102.9
Operating costs	350.7	347.2
Rental loss	7.1	7.7
Other costs	6.7	8.9
	466.9	**466.7**

3 Earnings from Disposals

The earnings from Disposals include income from sales proceeds, disposal costs and carrying amounts of assets sold of investment properties and land and buildings held for sale.

4 Earnings from Nursing and Assisted Living

The earnings from Nursing and Assisted Living comprise the following:

EUR m	2019	2018
Income from nursing	165.7	68.1
Rental and lease income	104.9	67.2
Nursing and corporate expenses	-41.9	-24.5
Staff expenses	-138.2	-54.2
Expenses for leased properties	-2.2	-1.3
	88.3	**55.3**

5 Disclosures on revenue recognition pursuant to IFRS 15 and IFRS 16

In the Group, tenancy agreements are concluded which essentially comprise the net rent exclusive of heating expenses plus operating costs. The contract component "net rent exclusive of heating expenses" is a lease and so falls within the scope of IFRS 16 and IAS 17 Leases, whereas income from operating costs falls within the scope of IFRS 15 Revenue from contracts with customers. Income from operating costs consists of the expenses that are charged to tenants and do not include any margin. In addition, sales revenue is mainly generated from the disposal of property and the provision of nursing services. For the first time in 2019 and for the purposes of this disclosure, income from operating costs for which no performance is owed is divided across the rents and other income from operating costs (land tax and property insurance of EUR 55 million in 2019), weighted by the individual disposal price. The figures for 2018 have not been adjusted.

IFRS 15 disclosures for 2018

Segments	Residential Property Management	Disposals	Nursing Operations and Nursing Assets	Total
Goods/services				
Operating costs	337.4	–	–	337.4
Privatisation	–	68.7	–	68.7
Institutional sale	–	111.6	–	111.6
Nursing care	–	–	68.1	68.1
	337.4	**180.3**	**68.1**	**585.8**
Time of revenue recognition				
Goods or services transferred at a point in time	–	180.3	–	180.3
Goods or services transferred over time	337.4	–	54.5	391.9
	337.4	**180.3**	**54.5**	**572.2**

IFRS 15 and IFRS 15 disclosures for 2019

EUR m	Residential Property Management	Disposals	Nursing Operations	Nursing Assets	Total
IFRS 16 income					
Rents and lease income	837.3	–	59.5	44.0	940.8
Operating costs	55.0	–	–	–	55.0
	892.3	**0.0**	**59.5**	**44.0**	**995.8**
IFRS 15 income					
Operating costs	304.4	–	–	1.4	305.8
Privatisation	–	90.0	–	–	90.0
Institutional sale	–	677.3	–	–	677.3
Nursing care	–	–	165.7	–	165.7
	304.4	**767.3**	**165.7**	**1.4**	**1,238.8**
Time of revenue recognition according to IFRS 15					
Goods or services transferred at a point in time	–	767.3	–	–	767.3
Goods or services transferred over time	304.4	–	165.7	1.4	471.5
	304.4	**767.3**	**165.7**	**1.4**	**1,238.8**

6 Corporate expenses

The corporate expenses comprise the following:

EUR m	2019	2018
Staff expenses	**65.0**	**62.8**
General and administration expenses		
IT costs	10.4	8.8
Building costs	3.1	3.1
Legal, consultancy and audit costs	8.9	5.9
Communication costs	5.4	3.8
Printing and telecommunication costs	2.2	1.9
Travel expenses	1.2	1.2
Insurance policies	1.5	1.0
Other	3.7	5.2
	36.4	**30.9**
	101.4	**93.7**

The number of employees of the Deutsche Wohnen Group allocated to the Residential Property segment in the financial year averaged 1,308 (previous year: 1,165 employees). As at year-end, KATHARINENHOF Seniorenwohn- und Pflegeanlage Betriebs-GmbH, in which Deutsche Wohnen SE has a 49% shareholding, and PFLEGEN & WOHNEN HAMBURG Group had an average of 3,906 employees (previous year: 1,987 employees). The year-on-year increase is mainly due to the acquisition of the PFLEGEN & WOHNEN HAMBURG Group in January 2019.

7 Other income

Other income mainly include income from internally generated assets, income from the multimedia business and a non-recurring effect from the ongoing appraisal proceedings about the control agreement signed in 2014 between Deutsche Wohnen SE and GSW Immobilien AG. The increase compared with the previous year is particularly due to the appraisal proceedings.

8 Other expenses

The year-on-year increase in other liabilities is mainly due to the non-recurring effects in the context of the ongoing appraisal proceedings about the control agreement signed in 2014 between Deutsche Wohnen SE and GSW Immobilien AG. The item also includes expenses for the multimedia business and many other non-recurring effects.

9 Share-based remuneration

Restricted Share Units

Certain Management Board members receive virtual shares known as "Restricted Share Units" (RSU). RSU are allocated to the individual Management Board members on 1 January or 1 April of each year in four annual tranches. The number of RSU to be allocated in each financial year is defined in advance in the service contracts for Management Board members.

The agreed value of each RSU corresponds to the reference price of the Deutsche Wohnen SE share at each allocation date, plus a notional dividend. This corresponds to the amount of the company's annual gross dividend per share, which is added in the year of allocation and every year thereafter. Allocations end if the Management Board member receiving them leaves the company for whatever reason.

The RSU are settled in cash, or if the service contract is renewed for a Management Board member who has a vested entitlement to shares, in the year the last tranche is allocated, generally on the date on which the variable short-term remuneration component (STI) is paid for the respective year. On this date the company transfers to the entitled Management Board member the number of company shares corresponding to 60% of the number of RSU acquired by the Management Board member (RSU convertible shares). The Management Board member receives the difference between the value of the RSU convertible shares and the value of the RSU including the notional dividend as a cash payment on the aforementioned date.

In all other cases the virtual shares are settled on 15 April of the first year after the last tranche has been allocated, on condition that the entitled Management Board member has not declined an offer to renew their service contract on the same terms, or has terminated their service contract without a good reason or their contract has been terminated for a good reason.

The RSU convertible shares may not be sold earlier than four years after the date on which the respective tranche was allocated.

In 2019 a total of 3,125 RSU were granted, each with a fair value of EUR 43.48. Deutsche Wohnen incurred expenses of EUR 0.1 million for the RSU programme in the reporting year.

Share option plan

The share option plan launched in 2014 provides for the possibility of issuing a maximum of 12,879,752 subscription rights to the members of the Management Board of Deutsche Wohnen SE and to selected executives of the Deutsche Wohnen Group under the following conditions:

The subscription rights are issued to beneficiaries in annual tranches until the expiration of four years from the date of the entering of the contingent capital in the commercial register, or at least until the expiration of 16 weeks following the conclusion of the ordinary Annual General Meeting in 2018. The amount of the annual tranches is determined by dividing the intended variable remuneration for each beneficiary by a reference value. The reference value is the arithmetic mean of the closing price for Deutsche Wohnen shares on 30 days before the respective share options are issued.

The subscription rights may be exercised for the first time after the expiration of four years (waiting period) and thereafter within three years (exercise period) and expire upon the expiration of the relevant period.

The subscription rights may only be exercised where the following conditions are met:

- The service contract concluded with the beneficiary is not terminated during the waiting period on grounds for which the latter is responsible (section 626 para. 1 of the German Civil Code [Bürgerliches Gesetzbuch – BGB]) and
- the performance targets "adjusted NAV per share" (40% weighting), "FFO (without disposals) per share" (40% weighting) and "share price" (20% weighting) have been attained.

The performance targets for each individual tranche of the share options relate to the development of the (i) "adjusted NAV per share", (ii) "FFO (without disposals) per share" and (iii) "share price", as compared to the "adjusted EPRA/NAREIT Germany Index", calculated in accordance with the following provisions.

Each of the aforementioned performance targets in turn comprises a minimum target, which must be attained in order for half of the share options allotted to this performance target to be generally exercisable, as well as a maximum target, upon the attainment of which all of the share options allotted to this performance target become exercisable in accordance with the weighting of the performance target in question. The minimum target in each case is set at a degree of target attainment of 75% and the maximum target is set at a degree of target attainment of 150%. The individual minimum and maximum targets are set by the company on the basis of its quarterly projections prior to the issuance of the annual tranche of share options. Subject to any special arrangements which apply upon the termination of the service or employment relationship of the beneficiary prior to the expiration of the waiting period, the number of exercisable share options per tranche is commensurate with the total number of share options in the tranche in question multiplied by the percentage rate produced by the total of the percentage rates resulting from the attainment of one or more performance targets in accordance with the foregoing provisions, and having regard to the aforementioned weighting of the performance targets, so as to compensate for any divergences in the attainment of the performance targets in favour of the beneficiary.

At the end of the waiting period, the number of the subscription rights eligible for allocation to each beneficiary is calculated on the basis of the degree of attainment of the performance targets. Each beneficiary pays EUR 1 per share upon exercising the allocated subscription rights. The shares acquired following the exercise of the options confer full voting rights and an entitlement to the payment of dividends.

In the past financial year no subscription rights were issued under the SOP-2014 (previous year: none), with the result that 130,960 subscription rights were outstanding at the end of the year (previous year: 193,667). The expenses relating to the share option programme as reported in the consolidated financial statements amounted to EUR 0 million (previous year: EUR 0.3 million).

10 Gains/losses from fair value adjustments to derivative financial instruments and convertible bonds

Gains/losses from fair value adjustments comprise positive fair value adjustments of the convertible bonds of EUR 58.0 million (previous year: negative adjustments of EUR 70.7 million) and negative value adjustments for derivative financial instruments in the amount of EUR 29.5 million (previous year: negative adjustment of EUR 9.6 million).

11 Financial expenses

Finance expenses are made up as follows:

EUR m	2019	2018
Current interest	135.5	106.3
Accrued interest on liabilities and pensions	25.9	15.8
Non-recurring expenses in connection with refinancing	13.1	9.3
	174.5	**131.4**

12 Income taxes

Companies which are domiciled in Germany and structured as a limited liability company are subject to German corporation tax at a rate of 15% and a solidarity surcharge of 5.5% of the corporation tax levied. These entities are also subject to trade tax, the amount of which depends on the tax rates set by local authorities. Companies in the legal form of a partnership are only subject to trade tax. The profit less trade tax is assigned to the limited partners for corporation tax purposes. Limited use of corporation and trade tax loss carry-forwards is to be taken into account from the assessment period 2004 onwards. As a result, a positive tax assessment basis up to EUR 1 million may be reduced by an existing loss carry-forward without limitation; amounts in excess thereof may at most be reduced to 60% by an existing loss carry-forward.

The anticipated nominal income tax rate for 2019 for Deutsche Wohnen SE as the parent company of the Group is 30.18% (previous year: 30.18%).

The income tax expense/benefit comprises the following:

EUR m	2019	2018
Current tax expense	**–18.9**	**–27.4**
Tax expense resulting from capital increase-related costs	**–0.1**	**–0.1**
Deferred tax expense		
Properties	–531.3	–747.4
Loss carry-forwards	49.7	0.9
Loans	6.1	3.4
Convertible bonds	–5.3	–6.0
Interest rate hedges	4.6	2.5
Pensions	–0.1	–1.0
Other	–8.4	11.2
	–484.6	**–736.7**
	–503.7	**–764.2**

The reconciliation of tax expense/benefit is provided in the following overview:

EUR m	2019	2018
Group profit before taxes	2,104.6	2,626.8
Applicable tax rate	30.18%	30.18%
Resulting tax expense	–635.1	–792.8
Permanent effects resulting from non-deductible expenses and trade tax corrections as well as tax-exempt income	90.2	12.5
Changes in unrecognised deferred taxes on loss carry-forwards and accrued temporary differences	96.0	0.3
Income tax expenses from other periods	–15.5	2.3
Other effects	–39.3	13.5
	–503.7	**–764.2**

The amount of current income taxes for the financial year 2019 includes income from other periods of EUR –15.5 million (previous year: EUR 2.3 million). EUR 96.0 million of the change in unrecognised deferred taxes on loss carry-forwards and accrued temporary differences in the amount of EUR 1.5 million (previous year: EUR 0.3 million) had the effect of reducing the amount of the ongoing tax expenditure.

F Segment reporting

Deutsche Wohnen reports by business segments on the basis of the information provided to the decision-makers of the Deutsche Wohnen Group.

Deutsche Wohnen focuses on the following four main segments in the context of its business activities:

Residential Property Management

Deutsche Wohnen's core business activity is the management of residential properties in the context of active asset management. Asset management includes the modernisation and maintenance of the property portfolio of Deutsche Wohnen, the management of tenancy agreements, support for tenants and the marketing of residential units. The focus of property management is on the optimisation of rental income. Therefore, rental increase potential is examined continuously in the course of ongoing maintenance, tenant turnover is used as an opportunity to create value, and services are purchased based on best-available prices for real savings and passed on to the tenant.

Disposals

The Disposals business segment is another pillar of the Deutsche Wohnen Group's operating activities. Privatisation can take the form of either an individual privatisation transaction, i.e. the sale of an individual residential unit (for example, to a tenant), or block sales.

The Disposals business segment includes all aspects of the preparation and execution of the sale of residential units from our property portfolio as part of the ongoing portfolio optimisation and streamlining process.

In addition, the privatisation of residential property can take place in connection with the future acquisition of portfolios for the purpose of portfolio streamlining as well as for financing purposes.

Certain residential units, particularly in Rhineland-Palatinate, and individual holdings of the GEHAG Group as well as the BauBeCon Group are subject to privatisation restrictions due to the acquisition agreements. In light of the obligations, the Group is partly bound by certain specifications (for example, sale to tenants, general social conditions, etc.) when making privatisation decisions. These restrictions to some extent also prohibit the disposal of the properties in question for a specified period of time.

Nursing home operators

The Nursing home operations consist of the investments in KATHARINENHOF and PFLEGEN & WOHNEN HAMBURG. The range of services provided by the nursing home operators comprises the marketing and management of nursing and residential care homes for the elderly, as well as services relating to the care of the senior citizens residing in those properties.

Nursing properties

Earnings contributions from leases with internal and external operators are presented in the Nursing properties segment.

Inter-company transactions primarily concern agency agreements and leases on arm's length terms for nursing properties which are operated internally.

The segment reporting is attached to the notes to the consolidated financial statements as Appendix 2.

Segment earnings correspond to the respective sub-totals in the consolidated income statement. The following table shows how segment earnings were reconciled with the consolidated income statement:

EUR m	2019	2018
Total segment earnings	1,004.2	754.6
Corporate expenses	–101.4	–93.7
Other expenses	–113.8	–24.4
Other income	84.1	22.6
Interim result (EBITDA before gains/losses from fair value adjustments of investment properties)	**873.1**	**659.1**
Gains/losses from fair value adjustments of investment properties	1,406.7	2,179.3
Depreciation and amortization	–42.9	–10.3
Earnings before interest and taxes (EBIT)	**2,236.9**	**2,828.1**
Financial income	10.9	7.8
Gains/losses from fair value adjustments to derivative financial instruments and convertible bonds	28.5	–80.3
Gains/losses from companies valued at equity	2.8	2.6
Financial expenses	–174.5	–131.4
Earnings before taxes	**2,104.6**	**2,626.8**
Income taxes	–503.7	–764.2
Profit/loss for the period	**1,600.9**	**1,862.6**

G Notes on the cash flow statement

The consolidated statement of cash flows shows how the Group's cash position has changed during the financial year due to the inflow and outflow of funds. In accordance with IAS 7 ("Cash flow statements"), a distinction is made between cash flows from operating and from investing and financing activities.

Other non-cash operating income and expenses mainly include carrying profits from disposals (2019: EUR 146.2 million; previous year: EUR 28.0 million). In total, Deutsche Wohnen received EUR 795.2 million (previous year: EUR 177.9 million) from property disposals. Purchase of property, plant and equipment includes payments for modernisation and acquisition of investment properties and land and buildings held for sale.

The Group has funds amounting to EUR 438.6 million (previous year: EUR 449.6 million) at its disposal from existing financing commitments that have not been utilised as at the reporting date.

Cash flows from investing and financing activities are determined when payments are made. The cash flow from operating activities in contrast is indirectly derived from the Group's profit/loss.

The changes in liabilities arising out of finance leases during the financial year 2019 were as follows:

EUR m			Non-cash changes			
	Opening balance Balance sheet	Cash changes	Change in consolidation basis	Change in fair value	Accruals and deferrals	Closing balance Balance sheet
Financial liabilities	6,184.6	127.6	0.0	0.0	15.5	6,327.7
Convertible bonds	1,697.2	0.0	0.0	–14.4	0.0	1,682.8
Corporate bonds	1,200.4	818.3	0.0	0.0	–4.6	2,014.1
Total	**9,082.2**	**945.9**	**0.0**	**–14.4**	**10.9**	**10,024.6**

H Earnings per share

In order to calculate the basic earnings per share, the consolidated earnings are divided by the weighted number of shares outstanding in the financial year.

The diluted and undiluted earnings amount to:

EUR m	2019	2018
Group profit/loss to calculate undiluted earnings	1,529.5	1,833.0
Correction: Interest from convertible bonds (after taxes)	5.2	5.2
Correction: Valuation effect resulting from convertible bond (after taxes)	–40.5	49.3
Adjusted Group profit/loss to calculate diluted earnings	**1,494.2**	**1,887.5**

The average number of issued shares (diluted and undiluted) amounts to:

thousand	2019	2018
Shares issued at start of period	357,014	354,666
Addition of issued shares in the relevant financial year	73	2,348
Shares issued at end of period	357,087	357,014
Average number of issued shares, undiluted	**357,087**	**355,704**
Number of diluting shares due to exercise of conversion rights and share option programme	32,899	32,581
Average number of issued shares, diluted	**390,986**	**388,285**

The earnings per share amount to:

EUR	2019	2018
Earnings per share		
Undiluted	4.27	5.15
Diluted	3.82	4.86

In 2019 a dividend was paid out for the financial year 2018 of EUR 310.6 million or EUR 0.87 per share. In addition, 2,617,281 new shares from the share dividend with an equivalent value of some EUR 84.9 million were issued for approx. 101 million dividend entitlements. A cash dividend of EUR 1.00 per share is planned for the financial year 2019. Based on the number of shares outstanding as at 31 December 2019 and assuming that no shareholders vote for a share dividend, this corresponds to a total dividend distribution of EUR 391.0 million.

I Other disclosures

1 Information on financial instruments

Financial risk management

The management of financial risks is an integral part of the risk management system and as such a tool for achieving the company's primary objective of ensuring the profitability of Deutsche Wohnen – which is mainly focussed on the management and development of its own residential holdings – on a sustained basis. Please see the risk and opportunity report in the Group Management Report for a detailed description of the overall risk management system.

The measures relating to financial risk management are described below:

The main financial instruments used by the Group – apart from derivative financial instruments – are bank loans, convertible bonds, a corporate bond, registered bonds, bearer bonds, and cash and cash equivalents. The primary purpose of these financial instruments is to finance the Group's business activities. The Group has various other financial assets and liabilities, such as trade receivables and trade payables, which result directly from its business activities.

The Group also carries out derivative transactions in the form of interest rate swaps and floors. The purpose of these derivative financial instruments is to manage interest rate risks that result from the Group's business activities and its sources of finance. There has been no trading of interest rate swaps, nor will there be any future trading in this area.

The tables below show the categorisation of financial instruments into the corresponding classes as per IFRS 7.6 and the allocation to measurement categories as defined in IAS 9:

31/12/2019

EUR m	IFRS 9 measurement category	Measured at amortized costs		At fair value	Value recognised in the balance sheet as per IAS 16/IAS 28	Total balance sheet items
		Carrying amount	Fair value	Carrying amount	Carrying amount	Carrying amount
Trade receivables	AC	24.9	24.9	–	–	24.9
Other assets						
Equity instruments	FVOCI	–	–	2.3	–	2.3
Shares in associates and joint ventures	n/a	–	–	–	22.6	22.6
Lending	AC	4.1	4.1	–	–	4.1
Lease receivables	n/a	–	–	–	28.7	28.7
Other financial assets	AC	98.2	98.2	–	–	98.2
Derivative financial instruments						
Interest rate hedges (no hedge accounting)	FVtPL	–	–	1.3	–	1.3
Cash flow hedges (interest rate swaps)	n/a	–	–	–	–	–
Cash and cash equivalents	AC	685.6	685.6	–	–	685.6
Total financial assets		**812.8**	**812.8**	**3.6**	**51.3**	**867.6**
Financial liabilities	AC	6,327.7	6,604.8	–	–	6,327.7
Convertible bonds	FVtPL	–	–	1,682.8	–	1,682.8
Corporate bond	AC	2,014.1	2,117.4	–	–	2,014.1
Trade payables	AC	300.5	300.5	–	–	300.5
Other liabilities						
Lease liabilities	n/a	–	–	–	169.4	169.4
Other financial liabilities	AC	281.3	281.3	–	–	281.3
Derivative financial instruments						
Interest rate hedges (no hedge accounting)	FVtPL	–	–	33.2	–	33.2
Cash flow hedges (interest rate swaps)	n/a	–	–	18.9	–	18.9
Total financial liabilities		**8,923.6**	**9,304.0**	**1,734.9**	**169.4**	**10,827.9**

AC – Financial assets and financial liabilities valued at amortized costs (Amortized Cost)
FVtPL – Measured at fair value through profit and loss (Fair Value through Profit and Loss)
FVOCI – Measured at fair value through equity (Fair Value through Other Comprehensive Income)

31/12/2018

EUR m	IFRS 9 measurement category	At amortized cost		At fair value	Value recognised in the balance sheet as per IAS 17/IAS 28	Total balance sheet items
		Carrying amount	Fair value	Carrying amount	Carrying amount	Carrying amount
Trade receivables	AC	22.4	22.4	0.0	0.0	22.4
Other assets						
Financial assets	FVOCI	1.8	n/a	0.0	0.0	1.8
Financial assets	n/a	–	n/a	–	72.8	72.8
Lending	AC	4.2	4.2	0.0	0.0	4.2
Lease receivables	n/a	0.0	0.0	0.0	32.9	32.9
Other financial assets	AC	26.2	0.0	0.0	0.0	26.2
Derivative financial instruments						
Interest rate hedges (no hedge accounting)	FVtPL	0.0	0.0	1.0	0.0	1.0
Cash flow hedges (interest rate swaps)	n/a	0.0	0.0	0.0	0.0	0.0
Cash and cash equivalents	AC	332.8	332.8	0.0	0.0	332.8
Total financial assets		**387.5**	**359.4**	**1.0**	**105.7**	**494.2**
Financial liabilities	AC	6,184.6	6,359.8	0.0	0.0	6,184.6
Convertible bonds	FVtPL	0.0	0.0	1,697.2	0.0	1,697.2
Corporate bond	AC	1,200.4	1,164.4	0.0	0.0	1,200.4
Trade payables	AC	302.4	302.4	0.0	0.0	302.4
Other liabilities						
Liabilities from finance leases	n/a	0.0	0.0	0.0	146.3	146.3
Other financial liabilities	AC	205.3	205.3	0.0	0.0	205.3
Derivative financial instruments						
Interest rate hedges (no hedge accounting)	FVtPL	0.0	0.0	9.6	0.0	9.6
Cash flow hedges (interest rate swaps)	n/a	0.0	0.0	6.0	0.0	6.0
Total financial liabilities		**7,892.6**	**8,031.8**	**1,712.8**	**146.3**	**9,751.8**

AC – Financial assets and financial liabilities valued at amortized costs (Amortized Cost)
FVtPL – Measured at fair value through profit and loss (Fair Value through Profit and Loss)
FVOCI – Measured at fair value through equity (Fair Value through Other Comprehensive Income)

The determination of the fair value of the financial assets and liabilities for valuation purposes or for the purposes of disclosure in the explanatory Notes was undertaken in all cases except that of liabilities arising in connection with put options of co-partners (Level 3) – on the basis of Level 2 of the fair value hierarchy.

The DCF valuation methodology was applied in the case of derivatives, using observable market parameters, in particular market interest rates. The fair value of the convertible bonds was calculated on the basis of the market listings for the securities. The amounts of the liabilities arising in connection with put options are commensurate with the discounted contractually stipulated purchase prices, which can be calculated on the basis of projectable cash flows.

The following table shows the contractual, non-discounted payments:

31/12/2019

EUR m	Carrying amount				Maturities
		2020	2021	2022	>2023
Original financial liabilities					
Financial liabilities	6,327.7	120.0	100.5	247.8	3,997.5
Convertible bonds	1,682.8	7.4	7.4	7.4	1,624.4
Corporate bond	2,014.1	508.9	26.3	26.3	1,744.7
Trade payables	300.5	300.5	0.0	0.0	0.0
Other liabilities					
Liabilities from finance leases	169.4	23.4	22.8	18.5	171.2
Other financial liabilities	281.3	127.5	0.0	0.0	153.7
Derivative financial liabilities	**52.1**	**8.8**	**10.0**	**8.7**	**25.0**
Total	**10,827.9**	**1,096.6**	**166.9**	**308.8**	**7,716.6**

31/12/2018

EUR m	Carrying amount				Maturities
		2019	2020	2021	>2022
Original financial liabilities					
Financial liabilities	6,184.6	140.5	232.0	237.8	6,343.4
Convertible bonds	1,697.2	7.4	7.4	7.4	1,631.8
Corporate bond	1,200.4	79.2	519.3	12.5	768.4
Trade payables	302.4	302.4	0.0	0.0	0.0
Other liabilities					
Liabilities from finance leases	146.3	15.5	15.3	14.4	177.8
Other financial liabilities	205.3	41.8	0.0	24.0	139.4
Derivative financial liabilities	**15.6**	**8.6**	**7.7**	**5.4**	**–6.0**
Total	**9,751.8**	**595.3**	**781.8**	**301.5**	**9,054.9**

The profits and losses from financial assets and liabilities are as follows:

31/12/2019

EUR m	IFRS 9 measurement category	From interests	From dividends	From subsequent valuations			From disposals	From components of other comprehensive income	Net income
				At fair value	Write-down	Write-back			
Financial assets and financial liabilities at at amortized costs	AC	–148.6	0.0	0.0	–0.3	2.0	–5.3	–2.2	–154.4
At fair value through profit or loss	FVtPL	–22.6	0.0	28.5	0.0	0.0	0.0	0.0	5.9
At fair value through other comprehensive income	FVOCI	0.0	0.0	0.0	–1.5	0.0	–0.3	0.0	–1.8
Total		**–171.2**	**0.0**	**28.5**	**–1.8**	**2.0**	**–5.5**	**–2.2**	**–150.3**

31/12/2018

EUR m	IFRS 9 measurement category	From interests	From dividends	From subsequent valuations			From disposals	From components of other comprehensive income	Net income
				At fair value	Write-down	Write-back			
Financial assets and financial liabilities at at amortized costs	AC	–111.0	0.0	0.0	–1.4	1.3	–1.4	–0.7	–113.3
At fair value through profit or loss	FVtPL	–11.5	0.0	–78.0	0.0	0.0	0.0	0.0	–89.5
At fair value through other comprehensive income	FVOCI	0.0	0.0	39.8	0.0	0.0	0.4	0.0	40.1
Total		**–122.5**	**0.0**	**–38.2**	**–1.4**	**1.3**	**–1.0**	**–0.7**	**–162.6**

AC – Financial assets and financial liabilities valued at amortized costs (Amortized Cost)
AfS – Financial assets available for disposal (Available for Sale)
FVtPL – Measured at fair value through profit and loss (Fair Value through Profit and Loss)
FVOCI – Measured at fair value through equity (Fair Value through Other Comprehensive Income)
LaR – Loans and Receivables
FAHfT – Financial assets assessed at fair value and recognised in profit/loss (Financial Assets Held for Trade)
FLaC – Financial liabilities carried forward at amortized cost (Financial Liabilities at Cost)
FLHfT – Liabilities assessed at fair value and recognised in profit/loss (Financial Liabilities Held for Trade)

Changes in the fair value of convertible bonds resulting from counterparty risk are recognised in other comprehensive income.

The significant risks to the Group arising from financial instruments comprise interest-related cash flow risks, liquidity risks, default risks and market risks. Company management prepares and reviews risk management guidelines for each of these risks, as outlined below:

Default risk

Default risks, or the risk that a partner will not be able to meet its obligations, are managed by using exposure limits and control processes. If appropriate, the company obtains collateral. There is no significant concentration of default risk at Deutsche Wohnen, either for a single counterparty or for a group of counterparties with similar characteristics. The maximum default risk is the carrying amount of the financial assets as reported in the balance sheet.

Liquidity risk

The Group reviews the risk of liquidity shortfalls daily by using a liquidity planning tool. This tool takes into account the inflows and outflows of cash from the operating activities and payments relating to financial liabilities.

Deutsche Wohnen seeks to ensure that sufficient liquidity is available to meet future obligations at all times. Deutsche Wohnen currently has a debt capital ratio of approx. 53% (previous year: 52%) and a Loan-to-Value ratio of 35.4% (previous year: 36.0%).

Interest-related cash flow risks

The interest rate risk to which the Group is exposed is mainly derived from non-current financial liabilities with floating interest rates.

The Group's interest expenses are managed by a combination of fixed-interest and floating-rate debt. In order to make this combination cost-efficient, the Group concludes interest rate swaps at specified intervals in which it exchanges the difference between the fixed-interest and floating-rate amounts as determined on the basis of an agreed nominal value with the contractual partner. These interest rate swaps hedge the underlying debt. Accordingly, interest rate risk only exists for floating-rate financial liabilities that are not hedged by interest rate swaps. Applied to these financial liabilities, an increase/reduction of 0.5% in the interest rate on the balance sheet date would have resulted in an increase/a reduction in the interest expenses of EUR 5.3 million/EUR –2.5 million (previous year: EUR 5.1 million/EUR –3.4 million). Applied to the derivative financial instruments, an increase/reduction of 0.5% in the interest rate on the balance sheet date would have resulted in an increase/a reduction in the interest expenses of EUR 22.2 million/EUR –23.3 million (previous year: EUR 19.7 million/EUR –17.7 million). Applied to other comprehensive income, an interest adjustment in the same amount would have resulted in an increase/a reduction of EUR 10.4 million/EUR –10.9 million (previous year: EUR 10.4 million/EUR –13.8 million).

Market risks

The financial instruments of Deutsche Wohnen that are not reported at fair value are primarily cash and cash equivalents, trade receivables, lease receivables, other current assets, financial liabilities, trade payables and other liabilities.

The carrying amount of cash and cash equivalents is very close to their fair value due to the short-term nature of these financial instruments. For receivables and liabilities which are based on usual trade credit conditions, the carrying amount based on the historical cost is also very close to the fair value.

Fair value risks can arise in connection with fixed-interest and interest-hedged loans where the market interest rate falls below the interest rate for the loans entered into by the Group. In such cases, Deutsche Wohnen will usually initiate negotiations with the banks in question and make adjustments and enter into refinancing arrangements in the interests of avoiding the implications of unfavourable interest rates.

Netting of financial assets and financial liabilities

Financial assets and liabilities will only be netted pursuant to global netting agreements where an enforceable legal offset right exists on the balance sheet date and settlement on a net basis is planned. Where a claim for netting is not enforceable in the ordinary course of business, the global netting agreement will only give rise to a conditional offset right. In this case, the financial assets and liabilities will be reported on the balance sheet in their gross amounts on the balance sheet date.

Deutsche Wohnen enters into financial futures transactions as a means of hedging against cash flow risks. These derivatives are based on standard netting agreements concluded with banks, pursuant to which a conditional offset right may arise which could result in the futures transactions being reported at their gross amounts on the balance sheet date.

Claims arising out of operating costs which have not yet been accounted for in the amount of EUR 356.2 million (previous year: EUR 334.1 million) were offset against instalments on advance payments of operating costs in the amount of EUR 372.4 million (previous year: EUR 357.0 million) on the balance sheet for the financial year 2019. There were no conditional rights to offset derivatives against liabilities from derivatives.

2 Capital management

The primary aim of the Group's capital management is to ensure that it maintains a high credit rating and a good equity ratio to support its business activities and to maximise shareholder value.

Management of the capital structure takes into account liabilities to banks and other creditors, and cash and cash equivalents.

The key figures for capital management are:

- The equity/debt ratio and the leverage ratio

The Group aims to achieve an equity ratio of 40%. Future investments will therefore be made partly on the basis of balanced financing. The equity ratio amounted to 47% as at the reporting date (previous year: 48%).

- Loan-to-Value ratio

The ratio of financial liabilities to the value of the investment properties is defined as the Loan-to-Value ratio.

EUR m	31/12/2019	31/12/2018
Financial liabilities	6,327.7	6,184.6
Convertible bonds	1,682.8	1,697.2
Corporate bonds	2,014.1	1,200.4
	10,024.6	**9,082.2**
Cash and cash equivalents	–685.6	–332.8
Net financial liabilities	**9,339.0**	**8,749.4**
Investment properties	25,433.3	23,781.7
Less right-of-use assets from leases held as investment properties	–62.8	0.0
Non-current assets held for sale	571.2	33.0
Land and buildings held for sale	468.9	477.1
	26,410.6	**24,291.8**
Loan-to-Value ratio in %	**35.4**	**36.0**

3 Events after the balance sheet date

In late January 2020 the parliament of Berlin adopted a law capping rents for housing in Berlin (“rent cap”). It came into effect in February 2020. As the constitutionality of the legislation is in dispute, several applications for judicial review have been announced, also to the Federal Constitutional Court. The courts are expected to accept the applications for review.

The law provides for rents to be frozen for five years, whereby rents agreed in accordance with the German Civil Code [Bürgerliches Gesetzbuch – BGB] up to 18 June 2019 and rents for new lets may not be exceeded until the effective date of the legislation. There are exceptions for properties built after 2014, special-needs accommodation and publicly funded new housing, residential homes and accommodation not suitable for human habitation that is being refurbished. Rent caps have also been established. They range from EUR 3.92 per sqm to EUR 9.80 per sqm per month and are generally based on the figures from the 2013 Berlin rental index. Any higher current rents must also be reduced to the permitted level of 120% of the rent cap, which the land-lord is obliged to do within nine months of the law taking effect. Modernisation work, including necessary insulation, may only be charged to tenants at a rate of EUR 1.00 per sqm per month.

There is a risk that future rental income and rental trends will be lower, which depends largely on the judicial review of the rent cap. Conversely, lower return expectations on the part of investors (yield compression) could have an impact on the fair values of residential and commercial buildings. On balance, it is still too early to estimate the effects of the rent cap, but at the moment it has had no measurable impact on purchase prices for residential property in Berlin.

The legislation affects Group properties in Berlin with annualised rental income of some EUR 500 million as of the reporting date. Over the duration of the legislation we estimate the impact on the Group's earnings and financial position at up to approximately EUR 40 million p.a. as a result of potential rent reductions for existing tenants and new lets, which will occur over the years 2020 to 2024, with an average fluctuation of 7% p.a. We cannot rule out adverse effects on property valuations and the Group's assets.

In addition, the Deutsche Wohnen Group acquired the remaining shares in KATHARINENHOF Seniorenwohn- und Pflegeanlage Betriebs-GmbH as of 6 February 2020 for a price of EUR 25.5 million, without goodwill.

In February 2020 the Deutsche Wohnen Group also acquired a portfolio of some 1,300 residential and 150 commercial units for a price of nearly EUR 290 million. Risks and rewards are expected to be transferred in stages over the second half of 2020. The portfolio consists primarily of 19th century buildings and is situated in the Core^{+} locations Dresden and Leipzig.

Deutsche Wohnen acquired the development business from Munich-based Isaria, which previously belonged to the US financial investor Lone Star. Isaria is specialized in converting commercial space into urban and sustainable areas providing contemporary living space. Deutsche Wohnen acquires thirteen project companies with an expected project volume of EUR 1.8 billion for a total consideration of around EUR 600 million. The transfer of benefits and encumbrances is expected for Q2 or Q3 2020.

As a result of the ongoing risk management process, Deutsche Wohnen identified the Corona pandemic as not a material risk for the Group as of the reporting date. This means that Deutsche Wohnen does not assume at this point in time that the pandemic will have a material impact on the Group's net assets, earnings and financial position. Nevertheless, the further consequences of the pandemic on the financial and real estate markets cannot ultimately be assessed due to the current uncertainties.

We are not aware of any material events after the reporting date.

4 Commitments and contingencies

Other financial commitments relating to agency agreements for IT services total EUR 16.2 million (previous year: EUR 12.2 million).

In addition, there are current obligations of EUR 219.0 million (previous year: EUR 522.4 million) resulting from the acquisition of a number of property portfolios. Binding orders and investment commitments are responsible for financial obligations of EUR 168.7 million (previous year: EUR 196.7 million) and EUR 562.5 million (previous year: EUR 394.7 million) respectively.

One Group company (Rhein-Pfalz Wohnen GmbH) has been certified as a refurbishment and development agency (sections 158 and 167 of the German Federal Building Code (Baugesetzbuch – BauGB). Rhein-Pfalz Wohnen GmbH performs the duties incumbent upon it as the trustee of the local authorities.

The GSW subgroup has made entries in the land register in relation to land charges arising in connection with building obligations in the total amount of EUR 10.6 million (previous year: EUR 10.6 million).

5 Auditor's services

The auditor of Deutsche Wohnen SE and the Group is KPMG AG Wirtschaftsprüfungsgesellschaft. The following expenses (net) were incurred in the year under review:

EUR thousand	2019	2018
Audit services	1,298	1,111
Other certification services	86	72
Other services	18	10
	1,401	**1,193**

6 Related party disclosures

Companies and persons who have the possibility of controlling or exercising a significant influence on the financial and business policies of the Deutsche Wohnen Group are considered to be related parties. Existing control relationships were taken into account in determining the extent of the significant influence that the Deutsche Wohnen Group's related parties (individuals and companies) have on its financial and business policies.

Related companies

The affiliated companies, jointly controlled entities and affiliated companies included in the consolidated financial statements are to be considered related companies.

Transactions with related companies

Service and cash management agreements exist within the Group. Services between the companies are eliminated on consolidation.

Related parties

Related parties are the members of the Management Board and the Supervisory Board and their close relatives.

Members of the Management Board of Deutsche Wohnen SE

The Management Board composes as follows:

Name	Occupation	Memberships of supervisory boards and other supervisory bodies within the meaning of section 125 para. 1, sentence 5, German Stock Corporation Act [Aktiengesetz – AktG]
Michael Zahn Chairman of the Management Board	Chief Executive Officer, CEO	• IOLITE IQ GmbH, Berlin (Member of the Supervisory Board since 05/12/2019) • TLG IMMOBILIEN AG, Berlin (Chairman of the Supervisory Board until 21/05/2019) • Scout 24 AG, Munich (Member of the Supervisory Board until 30/06/2019) • G+D Gesellschaft für Energiemanagement mbH[1], Magdeburg (Chairman of the Advisory Board) • Funk Schadensmanagement GmbH[1], Berlin (Chairman of the Advisory Board) • DZ Bank AG, Frankfurt/Main (Member of the Advisory Board) • Füchse Berlin Handball GmbH, Berlin (Member of the Advisory Board) • GETEC Wärme & Effizienz GmbH, Magdeburg (Member of the Real Estate Advisory Board)
Philip Grosse	Chief Financial Officer, CFO	• GSW Immobilien AG[1], Berlin (Chairman of the Supervisory Board) • GEHAG GmbH[1], Berlin (Deputy Chair of the Supervisory Board) • Eisenbahn-Siedlungs-Gesellschaft Berlin mbH[1], Berlin (Chairman of the Supervisory Board since 11/12/2019, Member of the Supervisory Board since 01/09/2019) • Commerzbank AG, Frankfurt/Main (Member of Regional Advisory Council East since 01/01/2019)
Henrik Thomsen	Chief Development Officer, CDO (since 01/10/2019)	None
Lars Urbansky	Chief Operating Officer, COO (since 01/04/2019)	• GEHAG GmbH[1], Berlin (Chairman of the Supervisory Board) • Eisenbahn-Siedlungs-Gesellschaft Berlin mbH[1], Berlin (Member of the Supervisory Board) • GEHAG Vierte Beteiligung SE[1], Berlin (Member of the Supervisory Board)
Retired member of the Management Board:		
Lars Wittan	Chief Operating Officer, COO (until 30/09/2019)	• Eisenbahn-Siedlungs-Gesellschaft Berlin mbH[1], Berlin (Chairman of Supervisory Board until 30/09/2019)

1 Company of the Deutsche Wohnen Group

Members of the Supervisory Board of Deutsche Wohnen SE

The Supervisory Board composes as follows:

Name	Occupation	Memberships of supervisory boards and other supervisory bodies within the meaning of section 125 para. 1, sentence 5, German Stock Corporation Act [Aktiengesetz – AktG]
Matthias Hünlein Chairman	Managing Director Tishman Speyer Properties Deutschland GmbH, Frankfurt/Main	• Tishman Speyer Investment Management GmbH, Frankfurt/Main (Deputy Chairman of the Supervisory Board)
Dr Andreas Kretschmer Deputy Chairman	Management consultant, Düsseldorf	None
Jürgen Fenk	Managing Director and member of the Group Executive Board of Signa Holding GmbH, Vienna, Austria	• SIGNA Development Selection AG, Innsbruck, Austria (Member of the Supervisory Board) • GALERIA Karstadt Kaufhof GmbH, Essen (Member of the Supervisory Board since 01/10/2019)
Arwed Fischer (since 18/06/2019)	Member of various Supervisory Boards	• 6B47 Real Estate Investors AG, Vienna, Austria (Chairman of the Supervisory Board) • LOGISTRIAL Real Estate AG, Hamburg (Deputy Chairman of the Supervisory Board from 14/08/2019 until 17/12/2019) • SUMMIQ AG, Munich (Chairman of the Supervisory Board)
Tina Kleingarn	Partner of Westend Corporate Finance, Frankfurt/Main	None
Dr Florian Stetter	Chief Executive Officer, Rockhedge Asset Management AG, Krefeld	• C&P Immobilien AG, Graz, Austria (Member of the Supervisory Board) • CalCon Deutschland AG, Munich (Member of the Supervisory Board until 27/09/2019) • Noratis AG, Eschborn (Chairman of the Supervisory Board) • Historie & Wert Aktiengesellschaft, Wuppertal (Chairman of the Supervisory Board) • Intelliway Services AD, Sofia, Bulgaria (Member of the Administrative Board since 01/10/2019)
Retired member of the Supervisory Board:		
Claus Wisser (until 18/06/2019)	Managing Director of Claus Wisser Vermögensverwaltung GmbH, Frankfurt/Main	• AVECO Holding AG, Frankfurt/Main (Member of the Supervisory Board)

Transactions with related parties

No transactions were entered into with related parties in the financial year 2019.

7 Remuneration of the Management Board and Supervisory Board

The remuneration paid to the members of the Management Board and the Supervisory Board in accordance with their service contracts was as follows:

EUR m	2019	2018
Payments made to members of the Management Board		
Non-performance-based remuneration	2.2	2.0
Performance-based remuneration	3.0	2.4
Total	**5.2**	**4.4**
Payments made to members of the Supervisory Board		
Fixed remuneration components	0.7	0.8
Total	**0.7**	**0.8**

The non-performance-based components of the remuneration paid to members of the Management Board comprise a fixed amount of remuneration and supplementary payments for company cars. The performance-based components comprise both short-term incentives, on a short-term and long-term basis, and long-term incentives.

The members of the Supervisory Board receive a fixed amount of remuneration only.

There are no pension provisions for current or retired members of the Management Board or Supervisory Board.

With regard to all other matters, we refer to the remuneration report contained in the combined management report.

8 Corporate Governance

The Management Boards and the Supervisory Boards of Deutsche Wohnen SE and GSW Immobilien AG have issued a declaration of conformity with the German Corporate Governance Code in accordance with section 161 of the German Stock Corporation Act [Aktiengesetz – AktG] and made it permanently available to the shareholders online at www.deutsche-wohnen.com and www.gsw.de.

Berlin, 19 March 2020

Michael Zahn Chairman of the Management Board	Philip Grosse Management Board	Lars Urbansky Management Board	Henrik Thomsen Management Board

Appendix 1 to the Notes to the consolidated financial statements

SHAREHOLDINGS[3]

as at 31 December 2019

Company and registered office	Agre of capital	Equity in EUR thousand	Profit/loss in EUR thousand	Reporting date
Subsidiaries, fully consolidated				
AGG Auguste-Viktoria-Allee Grundstücks GmbH, Berlin	100.00[1]	25.0	0.0	2019
Algarobo Holding B.V., Baarn, Netherlands	100.00	23,670.4	9,055.7	2019
Alpha Asset Invest GmbH & Co. KG, Berlin	70.00[2]	502.8	224.5	2019
Amber Dritte VV GmbH, Berlin	94.90[1]	–7,316.8	0.0	2019
Amber Erste VV GmbH, Berlin	94.90[1]	–11,050.4	0.0	2019
Amber Zweite VV GmbH, Berlin	94.90[1]	–12,113.5	0.0	2019
Aragon 13. VV GmbH, Berlin	94.90[1]	–6,660.3	180.4	2019
Aragon 14. VV GmbH, Berlin	94.90[1]	–11,292.9	30.8	2019
Aragon 15. VV GmbH, Berlin	94.90[1]	–6,553.2	75.3	2019
Aragon 16. VV GmbH, Berlin	94.90[1]	–9,637.6	0.0	2019
Aufbau-Gesellschaft der GEHAG mit beschränkter Haftung, Berlin	100.00	8,034.2	71.6	2019
BauBeCon BIO GmbH, Berlin	100.00[1]	8,626.5	0.0	2019
BauBeCon Immobilien GmbH, Berlin	100.00[1]	478,033.7	24,945.2	2019
BauBeCon Wohnwert GmbH, Berlin	100.00[1]	26,710.2	0.0	2019
Beragon VV GmbH, Berlin	94.90[1]	–10,781.4	173.7	2019
C. A. & Co. Catering KG, Wolkenstein	100.00	0.2	15.6	2019
Ceragon VV GmbH, Berlin	94.90[1]	–8,088.3	0.0	2019
Communication Concept Gesellschaft für Kommunikationstechnik mbH, Leipzig	100.00	3,333.8	712.3	2018
DELTA VIVUM Berlin I GmbH, Berlin	94.90[1]	10,761.5	1,458.7	2019
DELTA VIVUM Berlin II GmbH, Berlin	94.90[1]	–1,894.8	227.4	2019
Deutsche Wohnen Asset Immobilien GmbH, Frankfurt/Main	100.00[1]	25.0	0.0	2019
Deutsche Wohnen Berlin 5 GmbH, Berlin	94.90[1]	3,415.6	0.0	2019
Deutsche Wohnen Berlin 6 GmbH, Berlin	94.90[1]	506.9	0.0	2019
Deutsche Wohnen Berlin 7 GmbH, Berlin	94.90[1]	2,738.0	0.0	2019
Deutsche Wohnen Berlin I GmbH, Berlin	94.00[1]	1,488.1	0.0	2019
Deutsche Wohnen Berlin II GmbH, Berlin	94.90[1]	4,809.5	0.0	2019
Deutsche Wohnen Berlin III GmbH, Berlin	94.90[1]	24,705.1	0.0	2019
Deutsche Wohnen Berlin X GmbH, Berlin	94.80[1]	7,691.7	0.0	2019
Deutsche Wohnen Berlin XI GmbH, Berlin	94.80[1]	7,504.6	0.0	2019
Deutsche Wohnen Berlin XII GmbH, Berlin	94.80[1]	1,761.1	0.0	2019
Deutsche Wohnen Berlin XIII GmbH, Berlin	94.80[1]	6,858.4	0.0	2019
Deutsche Wohnen Berlin XIV GmbH, Berlin	94.80[1]	10,666.3	0.0	2019
Deutsche Wohnen Berlin XV GmbH, Berlin	94.80[1]	12,102.0	0.0	2019
Deutsche Wohnen Berlin XVI GmbH, Berlin	94.80[1]	6,596.9	0.0	2019
Deutsche Wohnen Berlin XVII GmbH, Berlin	94.80[1]	5,914.2	0.0	2019
Deutsche Wohnen Berlin XVIII GmbH, Berlin	94.80[1]	3,256.7	0.0	2019

1 Exersise of exemption provisions according to section 264 para. 3 German Commercial Code [Handelsgesetzbuch – HGB] due to inclusion in the consolidated financial statements
2 Exersise of exemption provisions according to section 264b German Commercial Code [Handelsgesetzbuch – HGB] due to inclusion in the consolidated financial statements
3 In addition, there is an indirect participation in a joint venture.

Company and registered office	Agre of capital	Equity in EUR thousand	Profit/loss in EUR thousand	Reporting date
Deutsche Wohnen Beschaffung und Beteiligung GmbH, Berlin	100.00[1]	25.0	0.0	2019
Deutsche Wohnen Beteiligungen Immobilien GmbH, Frankfurt/Main	100.00[1]	1,025.0	0.0	2019
Deutsche Wohnen Beteiligungsverwaltungs GmbH & Co. KG, Berlin	100.00[2]	983.6	–0.1	2019
Deutsche Wohnen Construction and Facilities GmbH, Berlin	100.00[1]	275.0	0.0	2019
Deutsche Wohnen Corporate Real Estate GmbH, Berlin	100.00[1]	25.0	0.0	2019
Deutsche Wohnen Direkt Immobilien GmbH, Frankfurt/Main	100.00	1,956,650.8	–25.6	2019
Deutsche Wohnen Dresden I GmbH, Berlin	100.00[1]	5,087.3	0.0	2019
Deutsche Wohnen Dresden II GmbH, Berlin	100.00[1]	3,762.4	0.0	2019
Deutsche Wohnen Fondsbeteiligungs GmbH, Berlin	100.00[1]	17,825.0	0.0	2019
Deutsche Wohnen Immobilien Management GmbH, Berlin	100.00[1]	1,610.0	0.0	2019
Deutsche Wohnen Kundenservice GmbH, Berlin	100.00[1]	25.7	0.0	2019
Deutsche Wohnen Management GmbH, Berlin	100.00[1]	325.0	0.0	2019
Deutsche Wohnen Management- und Servicegesellschaft mbH, Frankfurt/Main	100.00[1]	325.6	0.0	2019
Deutsche Wohnen Multimedia Netz GmbH, Berlin	100.00[1]	638.0	0.0	2019
Deutsche Wohnen Reisholz GmbH, Berlin	100.00[1]	3,563.5	0.0	2019
Deutsche Wohnen Service Center GmbH, Berlin	100.00[1]	596.0	95.8	2019
Deutsche Wohnen Zweite Fondsbeteiligungs GmbH, Berlin	100.00[1]	64,025.2	0.0	2019
DW Pflegeheim Dresden Grundstücks GmbH, Munich	100.00	2,820.8	–244.6	2019
DW Pflegeheim Eschweiler Grundstücks GmbH, Munich	100.00	4,413.0	74.5	2019
DW Pflegeheim Frankfurt/Main Grundstücks GmbH, Munich	100.00	6,083.9	276.4	2019
DW Pflegeheim Friesenheim Grundstücks GmbH, Munich	100.00	2,621.2	61.4	2019
DW Pflegeheim Glienicke Grundstücks GmbH, Munich	100.00	4,565.4	73.9	2019
DW Pflegeheim Konz Grundstücks GmbH, Munich	100.00	10,337.6	372.2	2019
DW Pflegeheim Meckenheim Grundstücks GmbH, Munich	100.00	3,526.5	94.0	2019
DW Pflegeheim Potsdam Grundstücks GmbH, Munich	100.00	2,335.4	–239.3	2019
DW Pflegeheim Siegen Grundstücks GmbH, Munich	100.00	2,824.6	36.7	2019
DW Pflegeheim Weiden Grundstücks GmbH, Munich	100.00	4,456.4	107.3	2019
DW Pflegeheim Würselen Grundstücks GmbH, Munich	100.00	3,790.3	74.6	2019
DW Pflegeresidenzen Grundstücks GmbH, Munich	100.00	28,258.5	376.0	2019
DW Property Invest GmbH, Berlin (formerly: Deutsche Wohnen Service Merseburg GmbH, Merseburg)	100.00[1]	328.5	0.0	2019
DWRE Alpha GmbH, Berlin	100.00[1]	343.8	0.0	2019
DWRE Braunschweig GmbH, Berlin	100.00[1]	16,325.2	0.0	2019
DWRE Dresden GmbH, Berlin	100.00[1]	25.0	0.0	2019
DWRE Halle GmbH, Berlin	100.00[1]	25.0	0.0	2019

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2 Exersise of exemption provisions according to section 264b German Commercial Code [Handelsgesetzbuch – HGB] due to inclusion in the consolidated financial statements

Company and registered office	Agre of capital	Equity in EUR thousand	Profit/loss in EUR thousand	Reporting date
DWRE Hennigsdorf GmbH, Berlin	100.00[1]	1,085.3	0.0	2019
DWRE Leipzig GmbH, Berlin	100.00[1]	25.0	0.0	2019
Eisenbahn-Siedlungs-Gesellschaft Berlin mit beschränkter Haftung, Berlin	94.90	11,889.8	0.0	2019
EMD Energie Management Deutschland GmbH, Berlin	100.00[1]	30,022.8	0.0	2019
Eragon VV GmbH, Berlin	94.90[1]	–9,170.2	0.0	2019
FACILITA Berlin GmbH, Berlin	100.00	5,243.7	382.4	2019
Faragon V V GmbH, Berlin	94.90[1]	–7,620.7	0.0	2019
Fortimo GmbH, Berlin	100.00[1]	6,127.2	0.0	2019
Gehag Acquisition Co. GmbH, Berlin	100.00	1,555,780.9	12,664.2	2019
GEHAG Beteiligungs GmbH & Co. KG, Berlin	100.00[2]	21,912.1	5,373.1	2019
GEHAG Dritte Beteiligungs GmbH, Berlin	100.00[1]	378.8	0.0	2019
GEHAG Erste Beteiligungs GmbH, Berlin	100.00[1]	45.0	0.0	2019
GEHAG Erwerbs GmbH & Co. KG, Berlin	99.99[2]	45,904.8	2,752.9	2019
GEHAG GmbH, Berlin	100.00	2,469,813.8	338,788.6	2019
GEHAG Grundbesitz I GmbH, Berlin	100.00[1]	26.0	0.0	2019
GEHAG Grundbesitz II GmbH, Berlin	100.00[1]	25.0	0.0	2019
GEHAG Grundbesitz III GmbH, Berlin	100.00[1]	25.0	0.0	2019
GEHAG Vierte Beteiligung SE, Berlin	100.00[1]	20,220.5	0.0	2019
GEHAG Zweite Beteiligungs GmbH, Berlin	100.00[1]	16,625.0	0.0	2019
Geragon VV GmbH, Berlin	94.90[1]	–8,494.6	0.0	2019
GGR Wohnparks Alte Hellersdorfer Straße GmbH, Berlin	100.00[1]	7,721.1	0.0	2019
GGR Wohnparks Kastanienallee GmbH, Berlin	100.00[1]	38,945.2	5,066.2	2019
GGR Wohnparks Nord Leipziger Tor GmbH, Berlin	100.00[1]	6,680.3	0.0	2019
GGR Wohnparks Süd Leipziger Tor GmbH, Berlin	100.00[1]	3,390.2	0.0	2019
Grundstücksgesellschaft Karower Damm mbH, Berlin	100.00[1]	1,099.3	0.0	2019
GSW Acquisition 3 GmbH, Berlin	100.00[1]	80,441.2	2,073.1	2019
GSW Corona GmbH, Berlin	100.00[1]	3,777.3	0.0	2019
GSW-Fonds Weinmeisterhornweg 170-178 GbR, Berlin	78.19	–5,275.4	248.2	2019
GSW Gesellschaft für Stadterneuerung mbH, Berlin	100.00	1,449.2	126.7	2019
GSW Grundvermögens- und Vertriebsgesellschaft mbH, Berlin	100.00[1]	15,255.7	0.0	2019
GSW Immobilien AG, Berlin	93.92	1,175,368.8	87,333.1	2019
GSW Immobilien GmbH & Co. Leonberger Ring KG, Berlin	94.00[2]	443.3	20.6	2019
GSW Pegasus GmbH, Berlin	100.00[1]	30,702.3	6,692.6	2019
GSW Verwaltungs- und Betriebsgesellschaft mbH & Co. Zweite Beteiligungs KG, Berlin	93.44[2]	–9,028.7	644.0	2019
Hamburger Ambulante Pflege- und Physiotherapie "HAPP" GmbH, Hamburg	100.00	–657.4	–314.7	2019
Hamburger Senioren Domizile GmbH, Hamburg	100.00	2,123.4	115.2	2019
Haragon VV GmbH, Berlin	94.90[1]	–5,619.5	387.1	2019
Haus und Heim Wohnungsbau-GmbH, Berlin	100.00[1]	2,798.7	0.0	2019
Helvetica Services GmbH, Berlin	100.00[1]	669.8	0.0	2019
HESIONE Vermögensverwaltungsgesellschaft mbH, Frankfurt/Main	100.00	131.0	–12.2	2019

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2 Exersise of exemption provisions according to section 264b German Commercial Code [Handelsgesetzbuch – HGB] due to inclusion in the consolidated financial statements

Company and registered office	Agre of capital	Equity in EUR thousand	Profit/loss in EUR thousand	Reporting date
Holzmindener Straße/Tempelhofer Weg Grundstücks GmbH, Berlin	100.00[1]	25.0	0.0	2019
HSI Hamburger Senioren Immobilien GmbH & Co. KG, Hamburg	100.00[2]	7,076.0	6,017.2	2019
HSI Hamburger Senioren Immobilien Management GmbH, Hamburg	100.00	2,345.4	14.4	2019
Iragon VV GmbH, Berlin	94.90[1]	–6,737.4	27.9	2019
Karagon VV GmbH, Berlin	94.90[1]	–5,766.2	0.0	2019
KATHARINENHOF Seniorenwohn- und Pflegeanlage Betriebs-GmbH, Berlin	49.00	7,556.4	5,606.4	2019
KATHARINENHOF Service GmbH, Berlin	100.00	25.0	0.0	2019
Laragon VV GmbH, Berlin	94.90[1]	–10,089.9	0.0	2019
Larry I Targetco (Berlin) GmbH, Berlin	100.00[1]	193,057.2	0.0	2019
Larry II Targetco (Berlin) GmbH, Berlin	100.00[1]	520,878.6	0.0	2019
LebensWerk GmbH, Berlin	100.00	457.1	0.0	2019
Long Islands Investments S.A., Luxemburg	100.00	610.6	–386.3	2019
Main-Taunus Wohnen GmbH & Co. KG, Eschborn	99.99[2]	9,158.5	4,812.4	2019
Maragon VV GmbH, Berlin	94.90[1]	–2,528.3	0.0	2019
Omega Asset Invest GmbH, Berlin	50.00	37.7	24.8	2019
PFLEGEN & WOHNEN HAMBURG GmbH, Hamburg	100.00	8,359.1	0.0	2019
PFLEGEN & WOHNEN Service GmbH, Hamburg	100.00	188.0	–15.9	2019
PFLEGEN & WOHNEN Textil GmbH, Hamburg	100.00	352.9	108.8	2019
PUW AcquiCo GmbH, Hamburg	100.00	52,213.8	–488.2	2019
PUW OpCo GmbH, Hamburg	100.00	–739.1	–1,653.9	2019
PUW PFLEGENUNDWOHNEN Beteiligungs GmbH, Hamburg	100.00	64,404.5	4,903.8	2019
Rhein-Main Wohnen GmbH, Frankfurt/Main	100.00[1]	1,793,087.6	15,542.6	2019
Rhein-Mosel Wohnen GmbH, Mainz	100.00[1]	930,941.4	1,654.1	2019
Rhein-Pfalz Wohnen GmbH, Mainz	100.00[1]	1,381,918.3	1,185.7	2019
RMW Projekt GmbH, Frankfurt/Main	100.00[1]	16,238.3	0.0	2019
RPW Immobilien GmbH & Co. KG, Berlin	94.00	37,864.6	6,193.4	2019
Seniorenresidenz "Am Lunapark" GmbH, Leipzig	100.00	102.3	0.0	2019
SGG Scharnweberstraße Grundstücks GmbH, Berlin	100.00[1]	25.0	0.0	2019
Sophienstraße Aachen Vermögensverwaltungs-gesellschaft mbH, Berlin	100.00[1]	2,193.0	0.0	2019
Stadtentwicklungsgesellschaft Buch mbH, Berlin	100.00	3,986.4	1,296.5	2019
SYNVIA media GmbH, Magdeburg (vormals: GETEC media GmbH, Magdeburg)	100.00	2,298.1	–606.1	2018
TELE AG, Leipzig	100.00	1,024.1	804.1	2018
WIK Wohnen in Krampnitz GmbH, Berlin	100.00[1]	2,263.5	0.0	2019
Wohn- und Pflegewelt Lahnblick GmbH, Bad Ems	100.00	368.3	1.0	2019
Wohnanlage Leonberger Ring GmbH, Berlin	100.00[1]	850.9	0.0	2019
Zisa Grundstücksbeteiligungs GmbH & Co. KG, Berlin	94.90[2]	1.0	339.8	2019
Zisa Verwaltungs GmbH, Berlin	100.00	89.9	–24.7	2019
Zweite GSW Verwaltungs- und Betriebsgesellschaft mbH, Berlin	100.00	92.6	–23.3	2019

1 Exersise of exemption provisions according to section 264 para. 3 German Commercial Code [Handelsgesetzbuch – HGB] due to inclusion in the consolidated financial statements
2 Exersise of exemption provisions according to section 264b German Commercial Code [Handelsgesetzbuch – HGB] due to inclusion in the consolidated financial statements

Company and registered office	Agre of capital	Equity in EUR thousand	Profit/loss in EUR thousand	Reporting date
Joint ventures, consolidated at equity				
B & O Service Berlin GmbH, Berlin	24.94	5,626.2	0.0	30/06/2019
Deutsche KIWI.KI GmbH, Berlin	49.00	410.2	–107.8	2018
Funk Schadensmanagement GmbH, Berlin	49.00	156.8	56.8	2018
G+D Gesellschaft für Energiemanagement mbH, Magdeburg	49.00	17,351.2	5,050.2	2018
GSZ Gebäudeservice und Sicherheitszentrale GmbH, Berlin	33.33	395.4	150.6	2018
IOLITE IQ GmbH, Berlin	33.33	n/a	n/a	n/a
Siwoge 1992 Siedlungsplanung und Wohnbauten Gesellschaft mbH, Berlin	50.00	9,174.7	1,361.9	2018
Telekabel Riesa GmbH, Riesa	26.00	111.4	134.6	2018
WB Wärme Berlin GmbH, Schönefeld	49.00	n/a	n/a	n/a
Associated companies, consolidated at equity				
Comgy GmbH, Berlin	14.61	797.8	–1,432.2	2018
KIWI.KI GmbH, Berlin	10.93	3,465.8	–2,990.4	2018
Zisa Beteiligungs GmbH, Berlin	49.00	24.8	–2.6	2018
Shareholdings, not consolidated				
AVUS Immobilien-Treuhand GmbH & Co. KG, Berlin	100.00	340.5	–10.0	2018
GbR Fernheizung Gropiusstadt, Berlin	45.59	588.8	–62.8	2019
STRABAG Residential Property Services GmbH, Berlin	0.49	246.7	0.0	2018
VRnow GmbH, Berlin	10.00	78.0	–186.1	2017
WirMag GmbH, Bad Dürkheim	14.85	–115.2	–99.3	2018

Appendix 2 to the Notes to the consolidated financial statements

GROUP SEGMENT REPORTING

for the financial year 2019

EUR m	External revenue		Internal revenue		Total revenue		Segment earnings	
	2019	2018	2019	2018	2019	2018	2019	2018
Segments								
Residential Property Management	1,196.7	1,122.9	31.8	28.2	1,228.5	1,151.1	729.8	656.2
Disposals	767.3	180.3	7.9	12.5	775.2	192.8	186.1	43.1
Nursing Operations	225.2	98.8[1]	0.0	0.0	225.2	98.8[1]	45.3	21.7[1]
Nursing Assets	45.4	36.5[1]	26.8	15.2[1]	72.2	51.7[1]	43.0	33.6[1]
Reconciliation with the consolidated financial statements								
Central function and other operating activities	0.3	0.3	128.7	124.8	129.0	125.1	–131.1	–95.5
Consolidations and other reconciliation	0.0	0.0	–195.2	–180.7	–195.2	–180.7	0.0	0.0
	2,234.9	**1,438.8**	**0.0**	**0.0**	**2,234.9**	**1,438.8**	**873.1**	**659.1**

1 Previous year's figure amended

The following auditor's report, prepared in accordance with § 322 HGB ["Handelsgesetzbuch": "German Commercial Code"], refers to the complete consolidated financial statements, comprising of consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity and notes to the consolidated financial statements, together with the combined management report of Vonovia SE, Bochum, for the financial year from January 1, 2019 to December 31, 2019. The combined management report is not included in this prospectus. The below-mentioned auditor‘s report and consolidated financial statements are both translations of the respective German-language documents.

INDEPENDENT AUDITOR'S REPORT

To Deutsche Wohnen SE, Berlin

Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

Opinions

We have audited the consolidated financial statements of Deutsche Wohnen SE, Berlin, and its subsidiaries (the Group), which comprise the consolidated balance sheet as of December 31, 2019, the consolidated profit and loss statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1, 2019, to December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report (hereinafter: “group management report”) of Deutsche Wohnen SE and the Group for the financial year from January 1, 2019, to December 31, 2019. In accordance with German legal requirements, we have not audited the content of those components of the group management report specified in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of December 31, 2019, and of its financial performance for the financial year from January 1, 2019 to December 31, 2019, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of those components of the group management report specified in the “Other Information” section of the auditor's report.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the EU Audit Regulation No 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2)(f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1, 2019, to December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Valuation of residential and commercial investment property as well as care facilities held for investment

For the valuation (measurement) of property held for investment, please refer to the details provided in the notes to the consolidated financial statements in Sections A.4, C.1, C.2 and D.1.

FINANCIAL STATEMENT RISK

Investment property (largely consisting of residential and commercial property as well as care facilities) is reported in the consolidated financial statements of Deutsche Wohnen as of December 31, 2019 at a value of EUR 25.4 billion. Deutsche Wohnen measures investment property at fair value. In the year under review, income from positive changes in fair value of EUR 1.4 billion were recognized in the consolidated profit and loss statement.

Deutsche Wohnen determines the fair value of residential and commercial investment property in-house using a discounted cash flow model. In addition, Jones Lang LaSalle SE (hereinafter referred to as JLL) provides an appraisal which is used by Deutsche Wohnen to verify the in-house valuation (measurement) of residential and commercial property. Care facilities are valued (measured) exclusively by W&P Immobilienberatung GmbH (hereinafter referred to as W&P) using a discounted cash flow model.

In-house valuation and valuations (measurements) of JLL and W&P are carried out as of the measurement date (December 31, 2019).

Numerous assumptions relevant to measurement are made when assessing the value of investment property, which are complex and subject to considerable estimation uncertainties and judgments. Even minor changes in the assumptions relevant to measurement may have a material effect on the resulting fair value. The key assumptions for measuring the value of residential and commercial property as of the measurement date were annual rental growth as well as the discount and capitalization rates. The key assumptions for measuring the value of care facilities as of the measurement date were market rents, discount rates and maintenance expenses.

Due to existing estimation uncertainties and judgments, there is the risk for the financial statements that the measurement of investment property is inappropriate.

Moreover, there is the risk for the financial statements that the disclosures on property held for investment required in the notes pursuant to IAS 40 and IFRS 13 are incomplete and inadequate.

OUR AUDIT APPROACH

Our audit procedures in particular included an assessment of the internal valuation method used with a view to compliance with IAS 40 in conjunction with IFRS 13, the accuracy and completeness of data used for real estate portfolios, as well as appropriateness of assumptions for measurement, such as annual rental growth and discount/capitalization rates used. We conducted our audit with the involvement of our valuation experts.

We assessed the internal valuation methods in terms of the valuation model's suitability as well as (financial) mathematical accuracy, and verified that the data and assumptions relevant for measurement were appropriate as of the measurement date.

We compared the target rents processed in the in-house valuation model with the target rents stored in the ERP system. Prior to that, we confirmed the appropriateness and functionality of the controls implemented in the rental process to ensure that the target rents stored in the ERP system are in agreement with the contractual rents.

Subsequently, we assessed the appropriateness of the assumptions made for measurement based on a partially representative and partially risk-oriented deliberate selection of real estate. For this purpose, we assessed the appropriateness of the assumptions made for determining property-specific annual rental growth and discount/capitalization rates by comparing these to market and industry-specific benchmarks, taking into account the type and location of properties selected. We carried out on-site inspections for deliberately selected properties to verify the respective property's condition.

We were satisfied with the qualification and objectivity of JLL, engaged by Deutsche Wohnen to value its residential and commercial property, assessed the valuation method used for their appraisal with regard to compliance with IAS 40 in conjunction with IFRS 13 and compared the external appraisal with the internal measurements (valuation).

Furthermore, we compared the fair values of the residential and commercial property determined by Deutsche Wohnen with observable multipliers provided by recognized external providers.

We were satisfied with W&P's qualification and objectivity with respect to the care facilities and assessed the valuation method used as well as the completeness and accuracy of figures and amounts. We evaluated the appraisal with regard to key assumptions for measurement for a risk-based deliberate selection of real estate. We carried out on-site inspections for deliberately selected properties to verify the respective property's condition.

We also assessed the completeness and adequacy of disclosures on investment property required in the notes to the consolidated financial statements pursuant to IAS 40 and IFRS 13.

OUR OBSERVATIONS

The assumptions and parameters for measurement of the residential and commercial investment property as well as care facilities held for investment are appropriate.

The disclosures on investment property in the notes to the consolidated financial statements pursuant to IAS 40 and IFRS 13 are complete and appropriate.

Recognition and measurement of deferred tax assets and liabilities

Please refer to Sections A.4, C.18 and D.16 of the notes to the consolidated financial statements.

FINANCIAL STATEMENT RISK

Deferred tax assets in the amount of EUR 0.0 billion and deferred tax liabilities in the amount of EUR 3.7 billion are reported in the consolidated financial statements of Deutsche Wohnen as of December 31, 2019. Before netting, deferred tax assets for unused tax loss carryforwards were recognized in the amount of EUR 0.4 billion. Deferred tax expenses in the amount of EUR 0.5 billion are reported in the consolidated profit and loss statement.

The recognition and measurement of deferred tax assets and liabilities at Deutsche Wohnen SE are complex. The main reasons are calculation and extrapolation of the assessment basis used in connection with non-recognition of deferred tax liabilities for transactions that affect neither accounting profit nor taxable profit/loss (initial recognition exemption within the meaning of IAS 12.15(b)) as well as assumptions with regard to the use of tax relief, such as the extended trade tax exemption, which affect the applicable tax rates. In addition, the recognition and measurement of deferred tax assets require judgments and numerous forward-looking estimates of future tax earnings, the timing of reversal of temporary differences and the usability of loss and interest carryforwards.

There is a risk for the financial statements that the recognition and/or measurement of deferred tax assets and liabilities are inaccurate.

There is also the risk of incomplete disclosure of deferred tax assets and liabilities in the notes.

OUR AUDIT APPROACH

During our audit, we investigated in particular whether the assumptions for recognition and measurement were properly derived and determined in accordance with IAS 12.

First, we conducted a risk assessment in order to gain an understanding of the Group and its environment with regard to tax laws and regulations. We assessed the structure of the process for the recognition and measurement of deferred tax assets and liabilities. In applying a risk-based approach, we also performed the following substantive audit procedures with the assistance of our tax experts. We assessed the appropriateness of assumptions used by significant entities, particularly with regard to continuation of the initial recognition exemption and applicable tax rates as well as taking into account forward-looking estimates of future tax earnings, the timing of reversal of temporary differences and the usability of loss and interest carryforwards in relation to tax planning. We reconciled the tax planning of these entities to the respective budgets. We also assessed the complex calculation relating to the initial recognition exemption.

Finally, we assessed whether the disclosures on deferred tax assets and liabilities in the notes to the consolidated financial statements were complete.

OUR OBSERVATIONS

The approach taken as well as assumptions made for measurement of deferred tax assets and liabilities are appropriate. The disclosures on deferred tax assets and liabilities in the notes to the consolidated financial statements are complete.

Other Information

Management and/or the Supervisory Board are/is responsible for the other information. The other information comprises the following components of the group management report, whose content was not audited:

- the combined non-financial statement for the Company and the Group, which is contained in Section 9 of the group management report,
- the combined corporate governance statement for the Company and the Group referred to in Section 8 of the group management report.

The other information also includes the remaining parts of the annual report. The other information does not include the consolidated financial statements, the group management report information audited for content and our auditor's report thereon.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the aforementioned other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

In accordance with our engagement letter, we conducted a separate assurance engagement of the Group's non-financial statement. Please refer to our assurance report dated March 19, 2020, for information on the nature, scope and findings of this assurance engagement.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if

such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on June 18, 2019. We were engaged by the supervisory board on November 5, 2019. We have been the group auditor of Deutsche Wohnen SE without interruption since the financial year 2016.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

In addition to the financial statement audit, we have provided to group entities the following services that are not disclosed in the consolidated financial statements or in the group management report:

Assurance review of the Group's non-financial statement and other contractually agreed assurance services as well as other services.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is René Drotleff.

Berlin, March 19, 2020

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Schmidt Wirtschaftsprüfer (German Public Auditor)	Drotleff Wirtschaftsprüfer (German Public Auditor)

Audited Consolidated Financial Statements of Deutsche Wohnen SE as of and for the financial year ended December 31, 2018 (IFRS)

CONSOLIDATED BALANCE SHEET

as of 31 December 2018

EUR m	Notes	31/12/2018	31/12/2017
Assets			
Investment properties	D.1	23,781.7	19,628.4
Property, plant and equipment	D.3	146.5	92.3
Intangible assets	D.4	31.4	19.0
Derivative financial instruments	D.7	0.9	3.3
Other non-current financial assets		113.3	23.1
Deferred tax assets	D.16	0.1	0.4
Non-current assets		**24,073.9**	**19,766.5**
Land and buildings held for sale	D.5	477.1	295.8
Other inventories		4.2	4.4
Trade receivables	D.6	22.4	15.5
Income tax receivables		83.1	47.5
Derivative financial instruments	D.7	0.1	0.0
Other financial assets		22.3	9.3
Other non-financial assets		9.0	8.0
Cash and cash equivalents	D.8	332.8	363.7
Sub-total current assets		**951.0**	**744.2**
Non-current assets held for sale	C.10	33.0	28.7
Current assets		**984.0**	**772.9**

Total assets		**25,057.9**	**20,539.4**

EUR m	Notes	31/12/2018	31/12/2017
Equity and liabilities			
Equity attributable to shareholders of the parent company			
Issued share capital	D.9	357.0	354.7
Capital reserve	D.9	2,918.1	3,078.6
Other reserves		7.1	−19.7
Retained earnings	D.9	8,276.9	6,474.6
Total equity attributable to shareholders of the parent company		**11,559.1**	**9,888.2**
Non-controlling interests	D.9	349.0	322.8
Total equity		**11,908.1**	**10,211.0**
Non-current financial liabilities	D.10	6,112.3	4,697.4
Convertible bonds	D.11	1,691.3	1,667.3
Corporate bonds	D.11	1,130.3	819.3
Employee benefit liabilities	D.12	63.4	65.7
Derivative financial instruments	D.7	7.3	1.2
Other provisions	D.14	15.2	13.6
Other financial liabilities	D.13	296.7	217.8
Deferred tax liabilities	D.16	3,244.7	2,496.7
Total non-current liabilities		**12,561.2**	**9,979.0**
Current financial liabilities	D.10	72.3	53.7
Convertible bonds	D.11	5.9	2.3
Corporate bonds	D.11	70.1	7.3
Trade payables		302.4	177.7
Other provisions	D.14	9.4	6.6
Derivative financial instruments	D.7	8.3	4.1
Tax liabilities	D.15	36.0	27.2
Other financial liabilities	D.13	54.9	44.1
Other non-financial liabilities		29.3	26.4
Total current liabilities		**588.6**	**349.4**
Total equity and liabilities		**25,057.9**	**20,539.4**

CONSOLIDATED PROFIT AND LOSS STATEMENT

for the period from 1 January to 31 December 2018

EUR m	Notes	2018	2017
Contracted rental income	E.1	785.5	744.2[1]
Income from operating costs	E.1	337.4	326.5[1]
Expenses from Residential Property Management	E.2	–466.7	–457.9[1]
Earnings from Residential Property Management		**656.2**	**612.8**
Sales proceeds		180.3	308.6
Of which for revenues from real estate inventories		27.3	188.1
Cost of sales		–7.0	–7.2
Carrying amount of assets sold		–130.2	–251.1
Of which for revenues from real estate inventories		–19.5	–153.7
Earnings from Disposals	E.3	**43.1**	**50.3**
Income from nursing		68.1	63.8[1]
Rental and lease income		67.2	56.9[1]
Expenses for Nursing and Assisted Living		–80.0	–72.7
Earnings from Nursing and Assisted Living	E.4	**55.3**	**48.0**
Corporate expenses	E.5	–93.7	–81.3
Other expenses	E.7	–24.4	–37.8
Other income	E.6	22.6	8.8
Sub-total (EBITDA before the result from the fair value adjustments of investment properties)		**659.1**	**600.8**
Profits/losses from the fair value adjustment of investment properties	D.1	2,179.3	2,397.0
Depreciation and amortization	D.3/4	–10.3	–7.4
Earnings before interest and taxes (EBIT)		**2,828.1**	**2,990.4**
Financial income		7.8	1.4
Profits/losses from fair value adjustments to derivative financial instruments and convertible bonds	D.7/E.9	–80.3	–226.0
Profits/losses from companies valued at equity	B.3	2.6	3.0
Financial expenses	E.10	–131.4	–170.6
Earnings before taxes (EBT)		**2,626.8**	**2,598.2**
Income taxes	E.11	–764.2	–834.9
Profit/loss for the period		**1,862.6**	**1,763.3**
Of which attributable to:			
Shareholders of the parent company		1,833.0	1,717.9
Non-controlling interests		29.6	45.4
		1,862.6	**1,763.3**
Earnings per share			
Undiluted in EUR	H	5.15	4.88
Diluted in EUR	H	4.86	4.74

1 Previous year's figure altered due to first-time application of IFRS 15.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from 1 January to 31 December 2018

EUR m	Notes	2018	2017
Profit/loss for the period		**1,862.6**	**1,763.3**
Other comprehensive income			
Items subsequently reclassified to profit or loss			
Net profit/loss from derivative financial instruments	D.7	−1.8	24.6
Income tax effects	D.16	0.4	−7.4
		−1.4	**17.2**
Items not subsequently reclassified to profit or loss			
Actuarial profits/losses on pensions and impact of caps for assets in pension plans	D.12	0.4	0.3
Net profits/losses from convertible bonds	C.11	39.8	0.0
Income tax effects	D.16	−12.0	−0.3
		28.2	**0.0**
Other comprehensive income after taxes		**26.8**	**17.2**
Total comprehensive income after taxes		**1,889.4**	**1,780.5**
Of which attributable to:			
Shareholders of the parent company		1,859.8	1,735.1
Non-controlling interests		29.6	45.4

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period from 1 January to 31 December 2018

EUR m	Notes	2018	2017
Operating activities			
Profit/loss for the period		1,862.6	1,763.3
Financial income		–7.8	–1.4
Adjustment to derivative financial instruments and convertible bonds	D.7/11, E.9	80.3	226.0
Financial expenses		131.4	170.6
Profits/losses from companies valued at equity		–2.6	–3.0
Income taxes		764.2	834.9
Profit/loss for the period before interest and taxes		**2,828.1**	**2,990.4**
Non-cash expenses/income			
Adjustment to the fair value of investment properties	D.1	–2,179.3	–2,397.0
Depreciation and amortization	D.3/4	10.3	7.4
Other non-cash expenses/income	G	–28.0	–52.1
Changes in net current assets			
Changes in receivables, inventories and other current assets		–28.2	–9.4
Changes in operating liabilities		141.0	18.9
Net operating cash flow		**743.9**	**558.2**
Proceeds from the disposal of properties held for sale	G	27.3	188.1
Investment in properties held for sale		–131.4	–68.3
Interest paid		–111.3	–100.9
Interest received		3.9	1.4
Taxes paid		–73.7	–65.0
Taxes received		10.7	4.7
Net cash flow from operating activities		**469.4**	**518.2**
Investing activities			
Sales proceeds	G	150.6	115.4
Payments for investments		–2,046.5	–1,092.3
Receipt of investment subsidies		0.8	0.8
Proceeds from dividends from shareholdings and joint ventures		0.1	0.1
Payments for business combinations less cash and cash equivalents acquired		–18.7	0.0
Other proceeds of investing activities		2.8	15.3
Payments to limited partners in funds		–0.7	–3.4
Net cash flow from investing activities		**–1,911.6**	**–964.1**
Financing activities			
Proceeds of new borrowing	D.10	1,354.4	422.6
Loan repayments	D.10	–106.5	–497.6
Proceeds from the issue of convertible bonds	D.11	0.0	1,600.0
Repayment of convertible bonds	D.11	0.0	–1,205.0
Proceeds from the issue of corporate bonds		525.0	520.0
Repayment of corporate bonds		–150.0	–428.0
One-off financing payments	E. 10	–9.7	–71.3
Proceeds from the sale of non-controlling interests		0.0	99.5
Payments for the purchase of non-controlling interests		0.0	–94.8
Proceeds of the capital increase	D.9	0.1	545.3
Other payments from financing activities		–1.4	–0.8
Costs of the capital increase	D.9	–0.5	–4.4
Dividend paid to shareholders of Deutsche Wohnen SE	H	–194.8	–262.4
Dividends paid to shareholders of non-controlling interests		–5.3	–5.7
Net cash flow from financing activities		**1,411.3**	**617.4**
Net change in cash and cash equivalents		**–30.9**	**171.5**
Opening balance of cash and cash equivalents		363.7	192.2
Closing balance of cash and cash equivalents		**332.8**	**363.7**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as of 31 December 2018

EUR m	Issued capital	Capital reserves	Pensions and convertible bonds	Cash flow hedge reserve	Total other comprehensive income	Retained earnings	Equity attributable to shareholders of the parent company	Non-controlling interests	Total equity
Equity as of 1 January 2017	**337.5**	**3,445.3**	**–17.7**	**–19.2**	**–36.9**	**4,219.7**	**7,965.6**	**268.4**	**8,234.0**
Profit/loss for the period						1,763.3	1,763.3		1,763.3
of which non-controlling interests						–45.4	–45.4	45.4	0.0
Other comprehensive income			0.0	17.2	17.2		17.2		17.2
of which non-controlling interests			0.0	0.0	0.0		0.0	0.0	0.0
Total comprehensive income			**0.0**	**17.2**	**17.2**	**1,717.9**	**1,735.1**	**45.4**	**1,780.5**
Capital increase	17.2	528.5					545.7		545.7
Cost of capital increase, less tax effect		–3.0					–3.0		–3.0
Transfer from capital reserve		–893.6				893.6	0.0		0.0
Contribution in connection with Management Board remuneration		1.4					1.4		1.4
Change in non-controlling interests						4.6	4.6	9.0	13.6
Dividend						–262.4	–262.4		–262.4
Other						–98.8	–98.8		–98.8
Equity as of 31 December 2017	**354.7**	**3,078.6**	**–17.7**	**–2.0**	**–19.7**	**6,474.6**	**9,888.2**	**322.8**	**10,211.0**
Equity as of 1 January 2018	**354.7**	**3,078.6**	**–17.7**	**–2.0**	**–19.7**	**6,474.6**	**9,888.2**	**322.8**	**10,211.0**
Profit/loss for the period						1,862.6	1,862.6		1,862.6
of which non-controlling interests						–29.6	–29.6	29.6	0.0
Other comprehensive income			28.2	–1.4	26.8		26.8		26.8
of which non-controlling interests			0.0	0.0	0.0		0.0	0.0	0.0
Total comprehensive income			**28.2**	**–1.4**	**26.8**	**1,833.0**	**1,859.8**	**29.6**	**1,889.4**
Capital increase	2.3	87.4					89.7		89.7
Cost of capital increase, less tax effect		–0.4					–0.4		–0.4
Transfer from capital reserve		–247.8				247.8	0.0		0.0
Contribution in connection with Management Board remuneration		0.3					0.3		0.3
Change in non-controlling interests						–0.2	–0.2	–3.4	–3.6
Dividend						–283.7	–283.7		–283.7
Other						5.4	5.4		5.4
Equity as of 31 December 2018	**357.0**	**2,918.1**	**10.5**	**–3.4**	**7.1**	**8,276.9**	**11,559.1**	**349.0**	**11,908.1**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

A General remarks on the consolidated financial statements of Deutsche Wohnen SE

1 The Deutsche Wohnen Group

The consolidated financial statements of Deutsche Wohnen SE ("Deutsche Wohnen") as at 31 December 2018 were prepared by the Management Board on 18 March 2019. The Supervisory Board is scheduled to approve the consolidated financial statements at its meeting on 18 March 2019. Deutsche Wohnen SE is a publicly listed property company which is based in Germany and operates nationally. Its headquarters are located at Mecklenburgische Straße 57, Berlin, and it is entered in the Commercial Register held at Berlin-Charlottenburg Local Court, HRB 190322 B.

Deutsche Wohnen SE operates solely as a holding company for the entities which make up the group. Its activities as a holding company comprise, in particular, Project & Process Management, Corporate Development and Strategy, Asset Management, Corporate Finance, IT, Human Resources, Investor Relations, Corporate Communication, and Legal/Compliance. The operating subsidiaries focus on Property Management and Disposals/Acquisitions, as well as on property related services.

The consolidated financial statements are presented in euros. Unless stated otherwise, figures are rounded to the nearest thousand (EUR k) or the nearest million (EUR m) EUR. For arithmetical reasons, there may be rounding differences between the tables and references and the exact mathematical figures.

2 Consolidated financial statements

The consolidated financial statements of Deutsche Wohnen and its subsidiaries were prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union (EU) and the commercial law provisions applicable in a supplementary capacity pursuant to section 315e para. 1 of the German Commercial Code [Handelsgesetzbuch – HGB].

The consolidated financial statements have been prepared on an amortized cost basis. This excludes, in particular, the investment properties, the convertible bonds and the derivative financial instruments, which are measured at fair value.

The consolidated financial statements comprise the financial statements of Deutsche Wohnen and its subsidiaries as at 31 December of each financial year. The subsidiaries' financial statements are prepared using uniform accounting policies and valuation methods with the same reporting date as the parent company's financial statements.

3 Application of IFRS in the financial year

With the exception of new and revised standards and interpretations, the same accounting policies and valuation methods were applied to the consolidated financial statements for the past financial year as were used for the consolidated financial statements as at 31 December 2017.

First-time application of new standards in the financial year 2018:

As of 1 January 2018, IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers, including Amendments to IFRS 15", were applied for the first time. Amendments to IFRS 4 "Insurance Contracts" were not relevant for the Group. Listed below are the effects resulting from the first-time application of IFRS 9 and IFRS 15.

The first-time application of the new standard IFRS 9, without adjustment of the prior-year figures, had no material impact, apart from one reclassification within equity concerning the convertible bonds. The new regulations relate above all to the classification of financial instruments irrespective of the business model, the way in which anticipated losses on financial assets are carried in the balance sheet, and a new approach to accounting for hedging relationships.

Based on the business model and the characteristics of the contractual cash flows, IFRS 9 divides financial assets into three measurement categories – 'amortized cost', 'fair value through profit or loss' and 'fair value through other comprehensive income' – instead of the four previously used under IAS 39. The measurement category 'amortized cost' may only be utilised for financial assets which are held in connection with a business model that focuses exclusively on collecting the contractual cash flows. To the extent that these financial assets are held in the context of a business model based on disposals, they are measured at fair value through other comprehensive income. All other financial assets must be included in the 'fair value through profit or loss' measurement category, whose fluctuations in value are recorded through profit and loss in the consolidated income statement. Deutsche Wohnen has exercised the option of measuring the equity instruments currently held at fair value through other comprehensive income.

There were no material changes in the categorisation of financial liabilities under IFRS 9. However, a new regulation requires fluctuations in the fair value of financial liabilities for which the option of fair value measurement is chosen to be reported in other comprehensive income, provided they were caused by changes in the counterparty risk. As of 1 January this amendment resulted in a reclassification within equity of EUR 6 million between other comprehensive income and retained earnings relating to the cumulative counterparty risk of the convertible bonds issued. On an ongoing basis the changes in counterparty risk are shown separately in other comprehensive income within the statement of total comprehensive income.

The amended categorisation resulted in the following changes to the reporting as of 1 January 2018:

EUR m	Valuation category in accordance with IAS 39	Total balance sheet items as at 31/12/2017	Valuation category in accordance with IFRS 9	Total balance sheet items as at 01/01/2018
		Carrying amount		Carrying amount
Trade receivables	LaR	15.5	AC	15.5
Other assets				
Financial assets	AfS	0.4	FVOCI	0.4
Financial assets	n/a	14.6	n/a	14.6
Loans receivable	LaR	4.2	AC	4.2
Other financial assets	LaR	13.2	AC	13.2
Derivative financial instruments	FAHfT	3.3	FVtPL	3.3
Cash and cash equivalents	LaR	363.7	AC	363.7
Total financial assets		414.8		414.8
Financial liabilities	FLaC	4,751.1	AC	4,751.1
Convertible bonds	FLHfT	1,669.6	FVtPL	1,669.6
Corporate bond	FLaC	826.6	AC	826.6
Trade payables	FLaC	177.7	AC	177.7
Other liabilities				
Liabilities from finance leases	n/a	65.6	n/a	65.6
Other financial liabilities	FLaC	196.3	AC	196.3
Derivative financial instruments				
Interest rate hedges (no hedge accounting)	FLHfT	4.7	FVtPL	4.7
Cash flow hedges (interest rate swap)	n/a	0.6	n/a	0.6
Total financial liabilities		7,692.2		7,692.2

AfS – Financial assets available for disposal (Available for Sale)
LaR – Loans and Receivables
FAHfT – Financial assets assessed at fair value and recognised in profit/loss (Financial Assets Held for Trade)
FLaC – Financial liabilities carried forward at amortized cost (Financial Liabilities at Cost)
FLHfT – Liabilities assessed at fair value and recognised in profit/loss (Financial Liabilities Held for Trade)
AC – Financial assets and financial liabilities valued at amortized costs (Amortized Cost)
FVtPL – Measured at fair value through profit and loss (Fair Value through Profit and Loss)
FVOCI – Measured at fair value through equity (Fair Value through Other Comprehensive Income)

The switch to the IFRS 9 impairment model based on expected losses did not have a material impact as outstanding receivables were already recognised as impaired pursuant to IAS 39 at the end of the month due to the property-specific debit entry of rent receivables at the beginning of the month. Likewise, application of the revised accounting method for hedging relationships in accordance with IFRS 9 did not have any material consequences for Deutsche Wohnen because the company only hedges cash flows arising from future interest payments.

In line with IFRS 15 'Revenue from Contracts with Customers', revenues are recognised when control of the agreed goods and services passes to the client. Revenue continues to be recognised at the amount of consideration which the entity expects to receive. IFRS 15 supersedes a number of standards, including IAS 18 and IAS 11, and also contains new disclosure requirements. Deutsche Wohnen applied IFRS 15 retrospectively for the first time as of 1 January 2018.

The first-time application only resulted in presentation changes in the Residential segment and in the Nursing and Assisted Living segment. These changes in presentation do not affect Deutsche Wohnen's financial performance indicators and the previous year's figures have been restated accordingly.

In the Residential Property Management segment, rental agreements are concluded which largely relate to net cold rents and operating costs. As the net rent exclusive of heating expenses constitutes a leasing relationship, this contractual component is not covered by IFRS 15. Income from operating costs falls within the scope of IFRS 15 and is offset by corresponding expenses in the year the service is performed. The bulk of these services are performed by the Group as the primary contractor. In view of the inventory risk, Deutsche Wohnen also acts as the principal for all services it does not perform itself. The expenses for operating costs are therefore no longer offset against the corresponding revenues from the 2018 financial year onwards. The effects of first-time application of IFRS 15 on the reporting period and comparative period are shown below:

EUR m	01/01/–31/12/2018 (IAS 18 cont.)	01/01/–31/12/2017 (IAS 18 cont.)
Proceeds from Residential Property Management	785.5	744.2
Expenses from Residential Property Management	–129.3	–131.4
Earnings from Residential Property Management	**656.2**	**612.8**

EUR m	01/01/–31/12/2018 as reported (IFRS 15)	01/01/–31/12/2017 as reported (IFRS 15)
Contracted rental income	785.5	744.2
Income from operating costs	337.4	326.5
Expenses from Residential Property Management	–466.7	–457.9
Earnings from Residential Property Management	**656.2**	**612.8**

In the Nursing and Assisted Living segment, Deutsche Wohnen concludes tenancy agreements with external operators of nursing properties. These are not covered by IFRS 15 because they are leasing relationships. The Group also concludes nursing home agreements with residents of its owner-operated nursing properties by virtue of its shareholding in the KATHARINENHOF Group. These nursing home contracts fundamentally comprise accommodation and care – two service components which are provided in return for contractually agreed consideration. As the accommodation component of the contract constitutes a leasing relationship but the provision of care is a revenue component as per IFRS 15, Deutsche Wohnen uses two income categories – 'rental and lease income' and 'income from nursing' – to recognise the Nursing segment's revenues in the consolidated income statement as of 1 January 2018. Rental and lease income comprises revenues from tenancy agreements with external operators, the accommodation component of nursing home contracts and tenancy agreements for assisted living.

The amendments to IFRS 2 'Share-based Payment' that deal with accounting for cash-settled share-based payments, in particular the fair value measurement of the corresponding obligations, had no effect on Deutsche Wohnen.

In December 2016 the IASB published amendments to IAS 40 'Investment Properties'. The amendments clarify that the standard mentions possible examples of certain changes in use and the resulting transfer to or from the IAS 40 category, and emphasises that these examples are not exhaustive. The amendments do not have any effect on Deutsche Wohnen's reporting methodology.

The application of the annual improvements to IFRS 1 'First-time Adoption of IFRS' and IAS 28 'Interests in Associates and Joint Ventures' also had no effect on Deutsche Wohnen.

Apart from this, there were no changes as a result of the first-time application of IFRS or IFRIC having a material effect on the reporting in the consolidated financial statements in the financial year 2018.

Standards which are not yet mandatorily applicable:

The following shows IFRS which have already been published and have already been incorporated into EU law, but which are not yet mandatorily applicable:

In January 2016 the IASB published the new standard IFRS 16 'Leases'. In future all leases will have to be recognised by the lessee in the form of rights of use and lease liabilities, to the extent that the lease term exceeds twelve months and the assets are not of minor value. Lessors continue to distinguish for accounting purposes between finance leases and operating leases. The new standard will apply to Deutsche Wohnen as an entity which is both lessor and lessee.

As lessee, Deutsche Wohnen has identified the following categories of lease that are significant for the Group and result in the recognition of rights of use and lease liabilities as of 1 January 2019 following the first-time application of the standard: heat contracting, measurement technology, commercial leases and vehicle leasing. Overall the Group expects to recognise rights of use and corresponding lease liabilities of around EUR 48 million for these categories. Some EUR 4 million of the rights of use will be accounted for as investment properties and around EUR 44 million as property, plant and equipment. Any effects on net assets or deferred tax assets and liabilities are currently expected to be immaterial. The Group expects that the interim result in the consolidated income statement, which is also used as a segment earnings indicator, will increase by EUR 6.5 million to EUR 7.5 million due to the first-time application of IFRS 16. An opposite effect is expected in depreciation and amortization, revaluation and interest expenses, so that in total the first-time application of the new lease standard is only expected to have a slight negative impact on net profit for the financial year 2019. In the consolidated statement of cash flows, the cash flow from operating activities is expected to increase by EUR 6.0 million to EUR 7.0 million. Cash outflows from financing activities are expected to go up by the same amount. For leases in which Deutsche Wohnen is lessor, the Group expects significant effects on accounting. In the future, the revenues from the operating costs land tax and building insurance fall due to lack of transfer of benefits to the lessee under the other components of the continuing obligation (neither lease nor service component) and are therefore accounted for in accordance with the relevant provisions for other components.

The Group will apply the standard as mandatory from 1 January; the transition project was not complete at the time the consolidated financial statements were prepared. The Group intends to apply the simplified transitional approach, taking advantages of various exemptions, and will not adjust financial information retroactively for 2018.

In June 2017 the IASB issued IFRIC 23, 'Uncertainty over Income Tax Treatments'. The interpretation makes clear that entities should, in reporting uncertain amounts of income taxes on the balance sheet, proceed on the basis that the tax authorities will verify the reported amounts in full knowledge of all of the relevant information. The interpretation will be mandatorily applicable from 1 January 2019 onwards. Deutsche Wohnen is currently analysing whether it is likely to have any effect on its reporting methodology.

In October 2017 the IASB published minor amendments to IFRS 9, 'Financial Instruments', which enables financial assets with symmetric prepayment options to be measured at amortized cost or at fair value through other comprehensive income. It also clarified the modification of financial liabilities that does not result in derecognition. The amendments will be mandatorily applicable from 1 January 2019 onwards. On current assessments, Deutsche Wohnen is not expecting any material effects.

The following IFRS standards have not yet been incorporated into EU law and as such do not yet apply.

In October 2017, the IASB published amendments to IAS 28 'Investments in Associates and Joint Ventures' relating to long-term shareholdings in such entities. These amendments make clear that an entity will be required to apply IFRS 9 'Financial instruments', including the provisions governing impairments contained therein, to long-term investments in associates and joint ventures which represent a portion of the net amount invested in the associate or joint venture in question and are not reported in accordance with the equity method. The amendments will be mandatorily applicable from 1 January 2019 onwards. Deutsche Wohnen does not expect them to have any material effect on its reporting methodology.

The IASB published 'Annual Improvements to IFRS Standards 2015–2017 Cycle' in December 2017. The improvements relate to clarifications for IFRS 3 'Business Combinations', IFRS 11 'Joint Arrangements', IAS 12 'Income Taxes' and IAS 23 'Borrowing Costs'. The amendments will take effect for reporting periods from 1 January 2019. Deutsche Wohnen is currently analysing whether it is likely to have any effect on its reporting methodology.

The IASB published an amendment to IAS 19 in February 2018. The amendment stipulates that in the event of the amendment, curtailment or settlement of a defined-benefit pension plan, the current service expense and net interest for the remaining financial year must be remeasured using the current actuarial assumptions that were used for the remeasurement of the net liability (asset).

The IASB also included amendments to IAS 19 clarifying how a plan amendment, curtailment or settlement affects the requirements regarding the asset ceiling. The amendments will be mandatorily applicable from 1 January 2019 onwards. Deutsche Wohnen is currently analysing whether it is likely to have any effect on its reporting methodology.

In March 2018 the IASB published a revised version of the Conceptual Framework. The revision of the Conceptual Framework particularly included a new chapter on the measurement of assets and liabilities, guidelines for the presentation of financial performance, a revised definition of the terms asset and liability and clarifications on the importance of accountability and the principle of prudence in the context of the objective of IFRS financial reporting. The updated references to the revised Conceptual Framework in the standards and interpretations are applicable from 1 January 2020. Deutsche Wohnen is currently analysing whether it is likely to have any effect on its reporting methodology.

In October 2018 the IASB published an amendment to IFRS 3 concerning the definition of a business. In it the IASB clarifies the three elements of a business. The background was an increasing number of questions in the past about whether a business was being acquired or not in a particular case. Deutsche Wohnen is currently analysing whether it is likely to have any effect on its reporting methodology.

In addition, the IASB published amendments to the definition of materiality in financial reporting in October 2018. The amendments, in combination with additional comments on use in IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', are intended to make it easier for IFRS reporting entities to determine materiality. The amendments also ensure that the definition of materiality is harmonised across all IFRS. Deutsche Wohnen is currently analysing whether it is likely to have any effect on its reporting methodology.

The IASB and the IFRS IC did not issue any further statements and amendments to standards having a significant effect on the consolidated financial statements during the reporting year or up to the date the consolidated financial statements were approved.

4 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements

In the process of applying the Group's accounting policies and valuation methods, management has made the following judgements, which have a significant effect on the amounts recognised in the consolidated financial statements. Insofar as statements regarding discretionary decisions in the context of individual rules had to be made, an explanation was provided for the corresponding items.

Full consolidation of the KATHARINENHOF Group
Deutsche Wohnen SE assumes that it may be deemed to exercise control over the KATHARINENHOF Group although it does not hold the majority of the voting rights. This position of control is due, in particular, to contractual arrangements entered into with the majority shareholder. Please see Note B. "Disclosure of shares in other companies" for further information.

Operating lease commitments – Group as lessor
The Group has entered into leases to rent on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Classification of nursing properties as investment properties
In its Nursing and Assisted Living segment, Deutsche Wohnen implements the business model of holding nursing properties to generate rental income and/or for capital appreciation. The decision to classify the nursing properties which are managed by its subsidiary KATHARINENHOF as investment properties was largely based on the analysis of two criteria: on the one hand, fluctuations in operating cash flows purely from the nursing care business (excluding the rents for the related residential units) are examined and, on the other hand, the earnings from the provision of nursing care services are juxtaposed against the rental income from the residential units in the nursing properties as a means of assessing the significance of the nursing care services for the material financial management parameter FFO I. Due to the relatively minor fluctuations in the operating cash flows from the aforementioned provision of nursing care services and the negligible size of the contribution of these services towards the amount of the FFO I in comparison with the rental income, these properties are reported on the balance sheet as investment properties.

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years are discussed below.

The fair value of investment properties and properties held for sale
The fair value of the residential and commercial properties held for investment purposes was determined on an internal basis by means of portfolio valuations as at 30 June 2018 and 31 December 2018. The properties are clustered on the basis of their location and property quality. Assumptions regarding changes in rents, vacancies and maintenance costs, as well as discount and capitalisation rates, are largely made on the basis of these clusters. The nursing properties were valued by an external appraiser as of 31 December 2018. The valuation is largely based on assumptions about market rents, discount rates and capital expenditure. All assumptions adopted in the context of valuations are subject to uncertainty due to their long-term reach, which could result in positive or negative value adjustments in the future. The carrying amount of the investment properties and properties held for sale amounted to EUR 23.8 billion (previous year: EUR 19.6 billion). Please see Note D.1 "Investment properties" for further information.

Pensions and other post-employment benefits

Expenses relating to post-employment defined benefit plans and the value of the related employee benefit liabilities reported on the balance sheet are determined on the basis of actuarial calculations. The actuarial calculations are made on the basis of assumptions regarding discount rates, future wage and salary increases, mortality and future pension increases. Such estimates are subject to significant uncertainty due to the long-term nature of these plans. The employee benefit liabilities amounted to EUR 63.4 million as at 31 December 2018 (previous year: EUR 65.7 million). Please see Note D.12 "Employee benefit liabilities" for further information.

Deferred taxes

The reporting on the balance sheet of deferred taxes calls for, in particular, estimations with regard to tax rates, the reversal of temporary differences and the use of tax assets resulting from loss carry-forwards. The underlying assumptions are subject to some uncertainty. The deferred tax assets amounted to EUR 0.1 million as at 31 December 2018 (previous year: EUR 0.4 million) and the deferred tax liabilities to EUR 3,244.7 million (previous year: EUR 2,496.7 million). Please see Note D.17 "Deferred taxes" for further information.

B Basis of consolidation and consolidation methods

1 Basis of consolidation

The consolidated financial statements comprise those of Deutsche Wohnen SE and the subsidiaries it controls from the time of their acquisition, i.e. from the date on which the Group obtains control over the entities in question. They will continue to be consolidated until the date on which the parent company relinquishes such control. The composition of the Deutsche Wohnen Group can be seen in the list of shareholdings attached as Appendix 1.

A total of 149 companies (previous year: 129) were included in the consolidated financial statements by way of full consolidation in financial year 2018 (Appendix 1).

Two residential property companies in the form of a German limited liability company (GmbH) were acquired in the Residential Property Management segment. One entity in the form of a partnership was deconsolidated following a disposal and merger with another residential property structured as a German GmbH. The deconsolidation of the disposal entity had no material impact on the assets, earnings and financial position of Deutsche Wohnen.

Two newly acquired companies structured as limited partnerships were fully consolidated in the Nursing and Assisted Living segment. Furthermore, twelve nursing home companies and two investment companies structured as German GmbH were acquired.

In addition, Deutsche Wohnen acquired a 100% interest in Helvetica Services GmbH in Berlin on 1 January 2018. This transaction is a business acquisition as defined in IFRS 3. The company's activities primarily involve the administration and management of rented apartments and commercial space in Greater Berlin.

On the date of first-time consolidation, the fair value of the acquired assets and liabilities of Helvetica Services GmbH was as follows:

EUR m	
Assets	
Receivables and other assets	0.9
	0.9
Liabilities	
Trade payables and other liabilities	–0.3
	–0.3
Net assets	**0.6**

The fair value of the assets and obligations acquired largely corresponds to their carrying amount.

The purchase price for the interest in Helvetica Service GmbH was EUR 3.3 million. Deducting the provisional net assets of EUR 0.6 million from the purchase price for the shares results in goodwill of EUR 2.7 million. The purchase price allocation is preliminary as of the reporting date.

Since the entity reported no material amount of cash and cash equivalents as of the first consolidation date, a cash outflow of EUR 3.3 million for investing activities was recognised in the cash flow statement.

Since initial consolidation Deutsche Wohnen has included revenue for the company of EUR 5.4 million and earnings before taxes (EBT) of some EUR 0.4 million in its consolidated financial statements. Since the entity largely provides intra-Group services for the Residential Property Management segment, they are consolidated.

No material transaction costs were incurred in connection with this business combination.

In addition, Deutsche Wohnen acquired all of the shares of GETEC Media GmbH in Magdeburg on 1 October 2018. This transaction is a business acquisition as defined in IFRS 3. The company and its three subsidiaries provide a broad range of telecommunications services for commercial and private customers.

When the GETEC Media Group was first consolidated, the provisional fair value of the assets acquired and liabilities assumed was made up as follows:

EUR m	
Assets	
Property, plant and equipment	4.5
Trade receivables	3.2
Income tax receivables	1.0
Other assets	2.3
Cash and cash equivalents	1.6
	12.6
Liabilities	
Financial liabilities	–17.0
Trade payables	–1.5
Other liabilities	–2.2
	–20.7
Net assets	**–8.1**

The fair value of the assets and obligations acquired largely corresponds to their carrying amount.

The purchase price for the interest in the entity was EUR 1. Deducting the provisional negative net assets of EUR 8.1 million from the purchase price for the shares results in goodwill of EUR 8.1 million. Including the acquired cash and cash equivalents of EUR 1.6 million resulted in a cash inflow of EUR 1.6 million. The purchase price allocation is preliminary as of the reporting date.

Since initial consolidation Deutsche Wohnen has included revenue for the company of some EUR 2.1 million and earnings before taxes (EBT) of around EUR 0.5 million in its consolidated financial statements. Had the acquisition taken place as of 1 January 2018, revenue of EUR 13.6 million and earnings before taxes (EBT) of around EUR 1.6 million would have been recognised for financial year 2018.

No material transaction costs were incurred in connection with this business combination.

As part of a share deal the Group acquired seven companies, consisting of FB Real Estate Holding 1 to 7 GmbH, Berlin, and merged them with GSW Immobilien AG with effect from 1 September 2018. The transaction was not a business acquisition within the meaning of IFRS 3. The entire acquisition package consisted essentially of investment properties.

There were no other changes to the group of consolidated companies as of the reporting date.

Successive acquisition of PUW OpCo GmbH after the reporting date:
In the course of a successive acquisition the Group acquired the remaining 55% interest in PUW OpCo GmbH ("Pflege und Wohnen Group") based in Hamburg. The acquisition date on which Deutsche Wohnen SE gained control over the Pflege und Wohnen Group is 2 January 2019. As of this date Deutsche Wohnen SE holds 100% of the shares in the group. The Pflege und Wohnen Group is a Hamburg-based operator of nursing homes and offers a broad range of regional nursing care solutions to elderly people and others requiring nursing care.

The preliminary consideration paid for the purchase of the Pflege und Wohnen Group is made up as follows:

EUR m	
Fair value of equity instruments already held (45%)	54.0
Net cash price component for the remaining shares (55%)	66.9
Total compensation	**120.9**

The valuation of the equity instruments already held had no material effect on earnings. The preliminary purchase price allocation (PPA) to the acquired assets and liabilities of the Pflege und Wohnen Group as of the first consolidation date is based on a provisional external valuation obtained for the purpose of measuring the fair values of these assets and liabilities.

The assets and liabilities acquired in the course of the business acquisition have the following provisional fair values as of the initial consolidation date:

EUR m	
Property, plant and equipment	13.2
Intangible assets	38.7
Trade receivables	2.9
Cash and cash equivalents	7.7
Other assets at fair value	0.3
Total assets	**62.8**
Employee benefit liabilities	–27.2
Financial liabilities	–24.0
Trade payables	–2.2
Deferred tax liabilities	–9.7
Other liabilities at fair value	–13.4
Total liabilities	**–76.5**
Net assets at fair value	**–13.7**
Total compensation	120.9
Goodwill	**134.6**

The goodwill largely represents the expected earnings potential of the business with its wide range of regional nursing homes, an improved general market position and other advantages and assets that cannot be recognised separately (e.g. workforce). The gross amount of the purchased trade receivables corresponds to their fair value.

2 Consolidation methods

The subsidiaries' financial statements are prepared using uniform accounting policies and valuation methods with the same reporting date as the parent company's financial statements. Subsidiaries are fully consolidated from the time of their acquisition, this being the date on which the Group obtains control over them. They continue to be consolidated until the date on which the parent company ceases to exercise such control over them.

Capital is consolidated in accordance with the purchase method. The acquisition costs arising in the context of the acquisition of companies and businesses are offset against the fair value of the acquired assets and liabilities at the time of the acquisition. Any difference in a positive amount resulting from this offsetting is recognised under assets as goodwill. Any differences in negative amounts are verified and then recognised in the consolidated profit and loss statement. The time of the acquisition is the point in time at which the Group acquires the ability to exercise control over the relevant activities of the subsidiary in question, becomes exposed to fluctuations in the return on its investment and has powers of disposal with which it may influence such fluctuating returns. Differential amounts arising out of disposals or acquisitions of shares of non-controlling shareholders are offset within equity.

All intra-Group balances, transactions, revenues, expenses, and gains and losses from intra-Group transactions which are included in the carrying amount of the assets are eliminated in full.

Joint ventures and associates are consolidated using the equity method in accordance with IAS 28. The investment is recognised for the first time at cost. For subsequent consolidation the carrying amount is modified to reflect pro rata changes in the equity of the associate or joint venture.

Non-controlling interests represent the share of the profits and net assets which is not attributable to the shareholders of the parent company of the Group. Non-controlling interests are valued on the basis of the share of the identified value of the net assets of the acquired company attributable to them at the time of their acquisition. Non-controlling interests are reported separately in the consolidated profit and loss statement, in the consolidated statement of comprehensive income and on the consolidated balance sheet. The disclosure on the consolidated balance sheet is made within equity, separate from the equity attributable to the shareholders of the parent company.

3 Disclosure of shares in other companies

Shares in fully-consolidated subsidiaries

Deutsche Wohnen SE had 148 subsidiaries on the reporting date (previous year: 128). Its access to the assets and liabilities of these subsidiaries is not subject to any restrictions.

In some subsidiaries it holds non-controlling interests which are only entitled to a share of their earnings. Non-controlling interests are recognised in equity for these companies in the consolidated financial statements. The interests of non-controlling shareholders in GSW Immobilien AG amounted to 6.1% of the overall shareholdings as at 31 December 2018 (previous year: 6.1%). GSW Immobilien AG paid out dividends in the amount of EUR 4.8 million to non-controlling shareholders in the financial year 2018.

The following consolidated financial information relates to GSW as a major subsidiary in which Deutsche Wohnen SE holds a non-controlling interest:

EUR m	GSW Group
Non-current assets	7,826.1
Current assets	493.6
Cash and cash equivalents	6.6
Non-current liabilities	–3,528.2
Current liabilities	–184.5
Net assets	**4,613.7**
Earnings from Residential Property Management	204.2
Annual earnings	**621.8**
Other comprehensive income	1.1
Change in cash and cash equivalents	1.0
Dividend	79.3

Since 1 January 2015, Deutsche Wohnen's shareholding and thus its related share of the voting rights in the KATHARINENHOF Group has amounted to 49%; the remaining shares were acquired from Deutsche Wohnen by a group of investors on that date. Even though this disposal means that it no longer holds the majority of the voting rights in the KATHARINENHOF Group, Deutsche Wohnen continues to include this subsidiary in its consolidated financial statements by way of full consolidation in accordance with IFRS 10 due to the fact that it is able, pursuant to contractual arrangements entered into with the other shareholders and the provisions of the shareholders' agreement, to dictate the relevant activities of the KATHARINENHOF Group and is exposed to variable returns on its investment. The provisions of these agreements with regard to the tendering of the shares of the majority shareholder are to be classified as conferring substantive rights within the meaning of IFRS 10.

Deutsche Wohnen SE has assumed guarantees, sureties and other collateral vis-à-vis third parties on behalf of Group companies for EUR 2,062.0 million (previous year: EUR 1,349.8 million).

Shares in joint arrangements and associates

As of the reporting date Deutsche Wohnen holds shares in eight joint ventures and four associates (previous year: seven joint ventures and two associates). The shareholdings are reported on the balance sheet in accordance with the equity method; no quoted market prices are available.

Deutsche Wohnen has an interest of 45% in PUW OpCo GmbH, Hamburg. Condensed financial information for PUW OpCo GmbH as of 31 December 2018 or for the period since acquisition on 1 October 2018 is presented below:

EUR m	
Non-current assets	26.9
Current assets	3.3
Cash and cash equivalents	7.2
Non-current financial liabilities	–24.0
Other non-current liabilities	–27.6
Current financial liabilities	–46.7
Other current liabilities	–34.3
Net assets	**–95.2**
Profit/loss for the period	**–0.2**
Revenue	29.2
Depreciation and amortization	0.4
Interest income	0.3
Interest expense	1.4
Income tax expense	0.1

The carrying amount of the equity interest in PUW AcquiCo GmbH, including goodwill and non-current claims by Deutsche Wohnen against the investee company is EUR 53.3 million as of 31 December 2018. The valuation of the investee company using the equity method resulted in expenses of EUR 0.1 million.

The remaining joint ventures and associates are currently of minor significance. The table below aggregates the carrying amounts and the share of profit and other comprehensive income for these entities:

EUR m	2018	2017
Carrying amount of minor investments in companies valued at equity	**19.5**	**14.6**
Group's share of minor investments in companies valued at equity		
Share of profit of continuing operations	2.7	3.0
Other comprehensive income	0.0	0.0
Share of comprehensive income	**2.7**	**3.0**

Deutsche Wohnen is not subject to any material financial obligations or guarantees/securities vis-à-vis the joint ventures or associates.

Equity interests in non-consolidated companies
Deutsche Wohnen hold shares in five (previous year: six) non-consolidated companies which are deemed to be of minor significance within the Group. These generally relate to shareholdings in other property companies. No material obligations exist vis-à-vis these companies.

Deutsche Wohnen's total risk exposure in relation to these shareholdings is equivalent to their carrying amounts. The carrying amounts of the non-consolidated companies amounted to approximately EUR 1.8 million as at 31 December 2018 (previous year: EUR 0.4 million).

C Accounting policies and valuation methods

1 Fair value measurement

The fair value is the price which would be received in return for the disposal of an asset or paid in return for the transfer of a liability in the context of a duly executed business transaction between market participants on the assessment date. The measurement of fair value is based on the presumption that the business transaction in the context of which the asset is sold or the liability is transferred occurs in either:

- the primary market for the asset or liability in question, or
- where no primary market exists; the most advantageous market for the asset or liability in question.

The Group must have access to the primary or most advantageous market. The fair value of an asset or a liability is determined by reference to the assumptions on which market participants would base their pricing of the asset or liability. This, in turn, is based on the assumption that the market participants would thereby be acting in their own best economic interests.

The Group uses valuation methods which are appropriate for the circumstances and for which sufficient data for fair value measurement are available. The use of observable inputs should be maximised and the use of unobservable inputs should be kept to a minimum.

All assets and liabilities, the fair value of which is determined or reported in the financial statements, are classified in accordance with the following fair value hierarchy, based on the input parameter at the lowest level which is of overall significance for the measurement of fair value:

- Level 1 – (Unadjusted) prices quoted in active markets for identical assets or liabilities.
- Level 2 – Valuation procedure pursuant to which the input parameter at the lowest level which is of overall significance for the fair value measurement can be directly or indirectly observed in the market.
- Level 3 – Valuation procedure pursuant to which the input parameter at the lowest level which is of overall significance for the fair value measurement cannot be observed in the market.

In the case of assets and liabilities which are recognised in the financial statements on a recurring basis, the Group will decide whether the levels within the hierarchy have been reached by carrying out a review of the classification (on the basis of the input parameter at the lowest level which is of overall significance for the fair value measurement) at the end of each reporting period.

2 Investment properties

Investment properties are properties that are held to generate rental income or for the purpose of generating value and that are not used by the company itself or held for sale in the course of normal business activities. Investment properties include land with residential and commercial buildings, undeveloped land and land subject to third-party leasehold rights.

Investment properties are valued initially at cost, including transaction costs. Subsequent to the initial recognition, investment properties are valued at their fair value. Gains or losses arising from changes in the fair value of investment properties are reported in the profit and loss statement.

An internal valuation of the residential and commercial buildings was carried out as at 31 December 2018, 30 June 2018 and 31 December 2017. The portfolio was concurrently valued by Jones Lang LaSalle SE, Frankfurt am Main, as at 31 December 2018 and 30 June 2018 and as at 31 December 2017 by CB Richard Ellis GmbH, Frankfurt am Main, in accordance with internationally accepted valuation methodologies, and the total value was confirmed. The amount of remuneration paid to the external property appraisers is calculated on a fixed-rate basis and is thus independent of the results of the property valuation. Where an absolute materiality threshold of +/– EUR 250,000 is exceeded, value deviations between an internal determination and an external approval for individual properties will generally be no greater than +/– 10%. Overall, the result of the valuation carried out by Jones Lang LaSalle and CB Richard Ellis varied by approximately –0.2% (previous year: +0.2%) from that of the internal valuation. In 2018 the nursing properties were only valued by W&P Immobilienberatung GmbH, Frankfurt am Main. In 2017 they were valued solely by CB Richard Ellis GmbH.

Investment properties are derecognised when either they have been disposed or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses from the permanent withdrawal from use or disposal of investment properties are recognised in the year of their withdrawal from use or disposal.

Properties are transferred from the investment properties portfolio if there is a change of use caused by the company either starting to use the property itself or by the commencement of development with an intention to dispose.

3 Property, plant and equipment

Property, plant and equipment are stated at cost net of cumulative depreciation and amortization and cumulative impairment losses. Subsequent acquisition costs are recognised insofar as it is likely that a future economic benefit from the property, plant and equipment will accrue for Deutsche Wohnen.

Straight-line depreciation and amortization is based on the estimated useful life of the asset. The useful life of buildings is 50 years. The useful life of fixed assets is four to ten years. Any depreciation and amortization of these assets is recognised as such under expenses in the consolidated profit and loss statement.

Impairment tests regarding the carrying amounts of property, plant and equipment are performed as soon as there are indications that the carrying amount of an asset exceeds its recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in the consolidated profit and loss statement when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted if appropriate.

4 Intangible assets

Deutsche Wohnen only recognises acquired intangible assets on the balance sheet. These are valued at cost. No economic or legal restrictions are currently in place with respect to the use of the intangible assets.

Intangible assets with a certain useful life are amortized on a straight-line basis over their respective useful lives. Their useful lives are between three and five years. Any amortization of these assets is recognised as such under expenses in the consolidated profit and loss statement.

Intangible assets with an indefinite useful life, particularly goodwill, are not amortized. Goodwill is tested annually for impairment and other intangible assets if there is an indication that they are impaired.

5 Borrowing costs

Interest on borrowings is recognised as an expense in the period in which it arises. There are no effects from the application of IAS 23, as the relevant assets (properties) are already recognised at their fair value.

6 Impairment of non-financial assets

The non-financial assets primarily comprise property, plant and equipment, intangible assets and inventories. The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, the Group estimates the asset's recoverable amount. The recoverable amount of an asset is the higher of the fair value of an asset or a cash generating unit, less costs of disposal, and its value in use. The recoverable amount is measured for each individual asset, unless the asset does not generate cash flows that are largely independent of those of other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount.

Goodwill acquired in the context of the acquisition of companies and businesses is subjected to an impairment test at least once a year. For impairment testing purposes, these assets are attributed to those cash-generating units which are expected to benefit from the synergies resulting from the acquisitions of the companies and businesses in question. These cash-generating units represent the lowest level at which these assets are monitored for corporate management purposes.

The goodwill impairment testing involves the calculation of the value in use of the cash-generating units based on estimated future cash flows which have been derived from actual values and projected for a five-year period on the basis of a growth rate which is typical for the industry. The carrying amounts of the cash-generating units are, however, essentially determined by the end value, which will be dependent on the projected cash flow in the fifth year of the medium-term planning as well as the growth rate of the cash flows thereafter and the discount rate.

Non-financial assets are assessed on each reporting date in order to ascertain whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the Group estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. In this case, the carrying amount of the asset is increased to its recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of scheduled depreciation and amortization, had no impairment loss been recognised for the asset in previous years. Such reversal is recognised in the profit and loss statement. Goodwill for which an impairment loss has been recognised is not written up.

7 Financial assets

As from 1 January 2018 Deutsche Wohnen classifies its financial assets in the following measurement categories:

- at fair value (either through profit or loss or through other comprehensive income), and
- at amortized cost.

Classification depends on the company's business model for the financial assets and on the contractual cash flows. If the financial asset is held to collect contractual cash flows consisting solely of interest and principal payments, the asset is held at amortized cost. All other financial assets are measured at fair value. Gains and losses are recognised through profit or loss, whereby the Group has elected to measure the current equity instruments not held for trading at fair value through other comprehensive income.

Arm's-length purchases or disposals of financial assets are recognised as at the trading date, i.e. the date on which the Group undertakes to buy or sell the asset. Financial assets are derecognised when the right to receive cash flows from the financial assets expires or has been transferred and the Group has transferred essentially all of the risks and opportunities of ownership.

For first-time recognition the Group measures a financial asset at fair value, plus – in the case of a financial asset at fair value through other comprehensive income – the transaction costs directly attributable to this asset. Transaction costs of financial assets at fair value through profit or loss are recognised as expenses in the Group's income statement.

Financial assets with embedded derivatives are considered in their entirety to determine whether their cash flows consist solely of interest and principal payments.

Loss allowances for debt instruments are based on expected credit losses. The Group uses the simplified approach for trade receivables, which entails recognising the credit losses expected over the full lifetime at the first-time recognition of the receivable. Loss allowances on receivables from rental activities are recognised depending on the extent to which those receivables are past due. Reasonable individual loss allowances are made for other receivables and assets.

Until 31 December 2017 financial assets as defined in IAS 39 were classified by Deutsche Wohnen as either:

- financial assets at fair value through profit or loss,
- loans and receivables,
- available-for-sale financial assets or as
- derivative financial instruments in an effective hedging relationship.

Financial assets were initially recognised at fair value. In the case of financial investments other than those classified at fair value through profit and loss, transaction costs directly attributable to the acquisition of the asset in question were also included. Financial assets were assigned to the measurement categories upon initial recognition. If permitted and necessary, reclassifications were made at the end of the financial year.

Financial assets and securities were allocated to the "Available for Sale (AfS)" category and generally reported at their fair value on the balance sheet. However, they were reported at cost on the balance sheet where the fair value of equity instruments could not reliably be determined.

Other than derivative financial instruments within or outside a hedging relationship, Deutsche Wohnen has not to date recognised any financial assets held for trading purposes or financial assets held to maturity on the balance sheet.

The receivables and other assets recognised on the consolidated balance sheet of the Deutsche Wohnen Group were allocated to the category "Loans and Receivables". Loans and receivables are non-derivative financial assets with fixed or determinable payments that were not quoted in an active market. After initial recognition, loans and receivables were subsequently valued at amortized cost using the effective interest method less impairment. Gains and losses were recognised in profit/loss for the period when the loans and receivables were derecognised or impaired or when amortized.

Loss allowances on receivables from rental activities were recognised depending on the extent to which those receivables are past due. Reasonable individual impairments were made for other receivables and assets.

Interest rate swaps were reported at their fair value on the basis of market-based valuation models.

A financial asset (or, where applicable, a portion of a financial asset or a portion of a grouping of similar financial assets) was derecognised upon the expiration of the contractual entitlements to cash flows from the financial asset in question.

8 Inventories

Inventories comprise land and buildings held for sale and other inventories. Land and buildings intended for disposal are sold in the normal course of business, to the effect that it may exceed a period of twelve months.

The initial valuation is made at cost. At the reporting date, the inventories are valued at the lower of cost and net realisable value. The net realisable value is the estimated selling price realisable in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

9 Cash and cash equivalents

Cash and cash equivalents on the consolidated balance sheet comprise cash on hand and cash at bank.

10 Non-current assets held for sale

The Deutsche Wohnen Group recognises investment properties and financial liabilities associated therewith as assets held for sale where notarised sales contracts exist as at the balance sheet date but the conveyance of title takes place at a later date. Properties held for sale are valued at their fair value.

11 Financial liabilities

Financial liabilities within the definition of IFRS 9 are classified by Deutsche Wohnen from 1 January 2018 as:

- other financial liabilities which are measured at amortized cost,
- financial liabilities at fair value or
- derivative financial liabilities.

Financial liabilities and corporate bonds

Loans and corporate bonds are initially recognised at their fair value less the transaction costs directly associated with the borrowing. After initial recognition, the interest-bearing loans are subsequently valued at amortized cost using the effective interest method. Gains and losses are recognised in the profit or loss statement when the liabilities are derecognised or during the amortization process.

Convertible bonds
Convertible bonds, which, as financial instruments comprising bonds and share options, can be redeemed by the company either in cash or in the form of shares upon their conversion by creditors, and for which securities listings can be identified on the markets, will be valued, when reported for the first time, at the fair value commensurate with their nominal value. The transaction costs arising in connection with the issuance are reported as finance expense. As a result of the application of the fair value reporting option to compound financial instruments, the convertible bonds are subsequently valued at their market price on the relevant balance sheet date. Profits and losses are recognised through other comprehensive income to the extent that they stem from changes in the default risk of the convertible bond. The remaining portion of profit and losses is recognised through profit or loss.

Trade payables and other liabilities
Liabilities are initially recognised at their fair value. After initial recognition, they are valued at amortized cost using the effective interest method. Gains and losses are recognised in the profit or loss statement when the liabilities are derecognised or during the amortization process.

Liabilities to limited partners in funds
Pursuant to IAS 32, the existence of termination rights on the part of a limited partner are a material criterion for the demarcation of equity and debt capital. Financial instruments granting the owner (here: limited partner) the right to return the instrument to the issuer in return for money payments constitute a financial liability. Due to the existence of termination rights on the part of the limited partners, the limited partnership interests and the “Net assets of shareholders” are recognised as debt capital. In accordance with IAS 32.35, the profit share of the limited partners is consequently recognised as a finance expense.

The net assets of the limited partners are recognised at the fair value of any possible repayment amount at the end of the financial year. Value increases are recognised as finance expense and impairments as finance income in the consolidated profit and loss statement. The amount of the repayment obligation is governed by the limited partnership agreement.

Within Deutsche Wohnen, there are liabilities to limited partners in funds of EUR 2.4 million (previous year: EUR 3.4 million).

Liabilities incurred in connection with put options
Shares of non-controlling shareholders who hold contractually vested put options with regard to their shares, which Deutsche Wohnen would be required to purchase were the shareholders to exercise those options, are treated in a corresponding manner. Deutsche Wohnen has liabilities with regard to these put options in the amount of their fair value of EUR 24.0 million (previous year: EUR 22.2 million).

A financial liability is derecognised when the obligation underlying the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability for time value. The difference between the respective carrying amounts is recognised in the profit and loss statement.

In contrast to the accounting methods described above for financial liabilities as defined in IFRS 9, the Group recognised all profit and losses from the measurement of convertible bonds through profit or loss until 31 December 2017. All the other accounting methods pursuant to IFRS 9 and IAS 39 for transactions by Deutsche Wohnen in connection with financial liabilities are essentially identical.

12 Pensions and other post-employment benefits

Employee benefit liabilities are recognised with regard to obligations (pension, invalidity, surviving spouse pension and surviving dependant benefits) arising in connection with pensions and ongoing benefits owed to eligible current and former employees and their surviving dependants. In total, there are pension commitments for 783 employees (of which 271 are active employees and 512 are retired employees and pensioners), which provide for pension payments on the basis of length of service and the salary level at retirement age (previous year: 808 employees, of which 291 were active employees and 517 pensioners).

Expenses for benefits granted as part of defined benefit plans are determined using the projected unit credit method. Actuarial gains and losses are recognised, without any effect on earnings, in the consolidated statement of comprehensive income.

On the basis of statutory provisions, Deutsche Wohnen pays contributions to state pension insurance funds from defined contribution plans. These current contributions are shown as social security contributions within staff expenses. Once the contributions have been paid there are no further obligations for the Group.

There is also a pension plan drawn up in accordance with the regulations governing public sector supplementary pensions. It is based on membership of a Group company in the Bayerische Versorgungskammer (hereinafter "BVK") – the supplementary pension fund for municipalities in Bavaria – as well as the Pension Institution of the Federal Republic and the Federal States (Versorgungsanstalt des Bundes und der Länder, hereinafter "VBL"). The supplementary pension comprises a partial or full reduced-earnings-capacity pension plus an age-related pension as a full pension or surviving dependant's pension. The charge levied by the BVK and the VBL is determined on the basis of the employees' compensation used to calculate the supplementary pension contribution. Changes in the structure of the VBL or a withdrawal from the institution could give rise to significant claims for payment of equivalent amounts.

The BVK and the VBL each therefore constitute a multi-employer defined benefit plan that, in accordance with IAS 19.30 (a), is accounted for as a defined contribution plan because the BVK has not provided sufficient information to account for the plan as a defined benefit plan.

No specific information is known regarding any overfunding or underfunding of the plan or the related future effects on the Deutsche Wohnen Group. Plan surpluses/deficits could in the future result in an increase/a reduction in the amount of the premiums to be paid by Deutsche Wohnen to the BVK and the VBL.

13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects that some or all of a provision liability will be reimbursed, for example pursuant to an insurance contract, the reimbursement will be recognised as a separate asset only where the receipt thereof is a virtual certainty. The expense involved in establishing the provision will be reported in the profit and loss statement net of the reimbursed amount. If the impact of the interest rate is significant, provisions are discounted at an interest rate before tax that reflects the specific risks of the liability. In the case of discounting, the increase in provisions due over time is recognised as a finance expense.

14 Leases

In the case of leases, a distinction is drawn between finance leases and operating leases.

Deutsche Wohnen acts both in the capacity of lessee and lessor in the context of finance leases. If essentially all of the risks and rewards associated with ownership of an asset are transferred to Deutsche Wohnen as a lessee, these leases are accounted for as finance leases. The leased item and the corresponding liability are capitalised or recognised as a liability with Deutsche Wohnen as lessee. If an entity enters into a contract with Deutsche Wohnen as lessor which transfers essentially all of the risks and rewards to the lessee, instead of the leased item, the lease payments payable in future by the customer are recognised as the net investment amount of lease receivables from the lease.

The tenancy agreements which Deutsche Wohnen has concluded with its tenants are classified as operating leases in accordance with IFRS. Accordingly, the Group acts as lessor in a diverse range of operating lease agreements (tenancies) for investment properties from which it obtains the largest part of its income and revenues.

Furthermore, Deutsche Wohnen acts in the capacity of lessee in the context of leases which are classified as operating leases.

Payments made pursuant to operating leases are generally recorded as revenues (from the point of view of the lessor) or expense (from the point of view of the lessee) on a linear basis over the term of the lease in question.

15 Recognition of revenue and expenses

Revenue from contracts with customers
Revenues from goods or services are recognised for the amount the Group expects to receive when control passes from Deutsche Wohnen to the customer either over time or at a point in time, after the performance obligation has been satisfied. The Group particularly generates revenue from contracts with customers for nursing services, the disposal of properties and the billing of operating costs. In terms of income from operating costs regarding promised services, the Group acts as principal with regard to tenants for service commitments and bears the inventory risk.

Rental income
Rental income is recognised monthly over the period of the leases in accordance with the tenancy agreement.

Expenses
Expenses are reported when they are incurred in economic terms.

Interest expense and interest income
Amounts of interest are recognised as expenses or income in the period in which they accrue.

As part of the long-term performance-based remuneration there are share-based remuneration components. The remuneration components to be expensed over the vesting period correspond to the fair value of the equity-based remuneration on the reporting date. The determination of fair values is based on generally accepted valuation methodologies. Liabilities are accounted for in a corresponding amount.

16 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. In the case of a grant related to an expense item, it is recognised as planned income over the period necessary to match the grant on a systematic basis to the expenses that it is intended to compensate.

Deutsche Wohnen has received government grants in the form of subsidies, loans and subsidised-interest loans.

Subsidies, in the form of rent subsidies, are recognised in the profit and loss statement for the period in which the rent in question is collected. They are recognised as income from residential property management.

Loans and subsidised-interest loans are property loans and are recognised as financial liabilities. In comparison with loans made under market conditions, both offer advantages such as lower interest rates or interest-free and redemption-free periods. The loans are measured at fair value and are subsequently carried at amortized cost. However, they are to be viewed in the context of restrictions with regard to changes in the rent for the properties, which are taken into account when determining the fair value of those properties.

17 Internally generated assets

Directly attributable itemised costs and production-related fixed costs accruing in the context of the implementation of construction measures are reported in the profit and loss statement as additions to the carrying amount for the property in question where it appears likely that the construction measures concerned will give rise to a future economic benefit for Deutsche Wohnen. The revenues resulting from the first-time reporting of such items are reported in the consolidated profit and loss statement under other operating income and the subsequent valuation of the addition in question is carried out on the basis of the valuation method used for the balance sheet item relating to the property concerned.

18 Taxes

Current income tax assets and liabilities

Current income tax assets and liabilities for the current period and for previous periods are valued at the amount expected to be reimbursed by or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those enacted as at the reporting date.

Deferred taxes

Income taxes are recognised and measured in accordance with IAS 12. Deferred income tax assets and liabilities are formed on temporary differences. The taxable and deductible temporary differences are calculated by comparing the IFRS carrying amounts and the local tax values of assets and liabilities (adjusted for permanent differences). The tax value is calculated according to the tax regulations of the respective tax jurisdiction where the item is taxed.

Deferred tax liabilities are recognised for all temporary differences that are subject to tax, with the following exception: In respect of taxable temporary differences associated with shareholdings in subsidiaries, associates and shares in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future, deferred tax liabilities are not recognised.

Deferred tax assets are recognised for all deductible temporary differences, as yet unused tax loss carry-forwards and unused tax credits to the extent that it is probable that taxable income will be available to which the deductible temporary differences, as yet unused tax loss carry-forwards and tax credits may be applied: The following exceptions apply:

- Deferred tax assets from deductible temporary differences which arise from the initial recognition of an asset or a liability in a transaction that is not a business combination and that, at the time of the business transaction, affects neither the profit/loss for the period nor taxable earnings may not be recognised.
- Deferred tax assets from deductible temporary differences associated with shareholdings in subsidiaries, associates and shares in joint ventures are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable earnings will be available against which the temporary differences can be utilised.

The carrying amount for deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the deferred tax asset to be utilised. Unreported deferred tax assets are reviewed on every balance sheet date and reported to the extent that it appears likely that future taxable earnings will allow for the realisation of the deferred tax asset in question.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that had been enacted or substantively enacted as at the reporting date.

Deferred taxes relating to items that are recognised in other comprehensive income or directly in equity are recognised in other comprehensive income or directly in equity and not in the consolidated profit and loss statement. Changes in deferred tax assets are recognised in or off the profit and loss statement on the basis of a reasonable pro rata allocation (IAS 12.63(c)).

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

19 Derivative financial instruments and hedging transactions

The Group uses derivative financial instruments to hedge against interest rate risks. These derivative financial instruments are recognised at their fair value at the time of the conclusion of the corresponding agreement. Derivative financial instruments are recognised as financial assets where their fair value is in a positive amount and as financial liabilities where their fair value is in a negative amount. They are subsequently valued at their fair value.

This is calculated using the discounted cash flow method, with the calculation of the present value taking account of individual credit ratings and other market factors in the form of credit rating and liquidity spreads such as are customary in the market. The valuation also takes account of the risk of non-performance (counterparty risk) and the company's own default risk in accordance with IFRS 13.42 et seq.

Until 31 December 2017 Deutsche Wohnen reported completed interest rate swaps on the balance sheet in accordance with the provisions of IAS 39 – from 1 January 2018 of IFRS 9 – governing hedge accounting, where the conditions for the application of the standard have been met. In addition to documentation of the hedging correlation between the hedge and the underlying item, one requirement for hedge accounting under both standards is proof of the effectiveness of the hedging relationship between the hedge and the underlying item. Both standards also stipulate that if an effective hedging relationship exists, the effective portion of the change in the value of the hedged transaction is to be recognised through other comprehensive income and the non-effective portion through profit or loss. Deutsche Wohnen has tested the effectiveness of the concluded interest hedges from a prospective (hypothetical) derivative method standpoint. In the case of derivative financial instruments which do not meet the criteria for hedge accounting, gains or losses from changes in fair value are immediately recognised in the profit or loss statement. The interest rate swaps recognised at their fair value are classified as current or non-current assets/liabilities depending on the term of the underlying contracts.

Deutsche Wohnen only hedges cash flows which relate to future interest expenses.

20 Share-based remuneration

In the period 2014 to 2017 the Management Board of Deutsche Wohnen received share-based remuneration in the form of subscription rights (share options). The share option programme was an option plan settled with equity instruments.

The expenses incurred as a result of issuing the share options are valued at the fair value of the granted share options at the time of their granting and calculated using generally recognised option pricing models. The expenses resulting from the issuance of the share options were reported together with a corresponding increase in equity (capital reserve).

The diluting effect of the outstanding share options will be taken into account as an additional dilution in the calculation of the earnings per share to the extent that the issuance of the options and the underlying terms and conditions result in a dilution for accounting purposes of the shares of the existing shareholders.

D Disclosures on the consolidated balance sheet

1 Investment properties

Investment properties are carried at fair value. Fair value developed as follows during the financial year:

EUR m	Residential and commercial buildings		Nursing facilities		Total	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Opening balance	**18,906.9**	**15,312.7**	**721.5**	**692.4**	**19,628.4**	**16,005.1**
Acquisitions	1,072.2	1,090.5	618.5	0.7	1,690.7	1,091.2
Additions from company acquisitions	0.0	0.0	0.0	0.0	0.0	0.0
Other additions	395.8	230.0	5.3	4.1	401.1	234.1
Disposals	–82.1	–68.2	0.0	0.0	–82.1	–68.2
Fair value adjustments	2,184.0	2,372.7	–4.7	24.3	2,179.3	2,397.0
Reclassification	–35.8	–30.8	0.0	0.0	–35.8	–30.8
Closing balance	**22,441.0**	**18,906.9**	**1,340.6**	**721.5**	**23,781.6**	**19,628.4**

The reclassification primarily relates to the properties reclassified as non-current assets and held for sale in the current financial year. The additions comprise, among other things, advance payments for acquisitions of investment properties. Other additions particularly comprise capitalised construction work.

The residential and commercial buildings and the nursing facilities were valued on the basis of valuation models in accordance with Level 3 of the valuation hierarchy provided for in IFRS 13 'Fair Value Measurement'. The full amount of the valuation of EUR 2,179.3 million was recognised in the consolidated profit and loss statement. This will remain unrealised until the valued properties are disposed of under market conditions.

Residential and commercial buildings
The valuation of the residential and commercial buildings as at 31 December 2018, 30 June 2018 and 31 December 2017 was conducted on the basis of the following principles developed in the context of the internal periodic valuation:

Valuation on the basis of defined clusters:
- Calculation of annual rent increases and target vacancies based on the location and physical characteristics of the properties,
- calculation of discount rates for the detailed budgeting phase
- calculation of capitalisation rates in perpetuity.

Formulation of the valuation based on individual properties:
- Determination of the market rent as at the reporting date,
- development of rent per sqm of lettable area based on market rent and current gross rent,
- development of costs (maintenance, administration, rental loss and non-recoverable operating costs, ground rent (if applicable)),
- determination of cash flows from annual proceeds and payments and the terminal value at the end of year ten, based on the recurring cash flow expected in year eleven,
- calculation of a fair value based on the administrative unit as at the reporting date.

The discount and capitalisation rates were calculated on the basis of property-specific risk assessments.

The maintenance expenses are calculated using type- and property-specific approaches used with regard to individual valuation objects in the property valuation context, having regard to the condition of the property in question and any experience gathered in connection with maintenance work regularly carried out in the past.

A further review of the valuation by an independent third party takes place as at every balance sheet date. The valuation methods used for the internal valuation and for the valuation by third parties are therefore the same.

The following overview summarises the valuation parameters applied with respect to the individual clusters, and indicates all of the sub-clusters within the main Core^{+}, Core and Non-Core clusters having an overall share of the total property value of at least 10%. Sub-clusters which do not reach this threshold are reported on an aggregate basis. The stated figures are based on the ranges present within each cluster and the weighted average:

31/12/2018			Core+	Core	Non-Core	Total
	Berlin	Other	Total	Total	Total	Total
Carrying amount (EUR m)	16,399	3,822	20,221	1,464	5	**21,690**
Carrying amount (EUR/sqm)	2,416	1,809	2,271	1,216	580	**2,145**
Share of carrying amount in %	75.6	17.6	93.2	6.7	0.0	**100.0**
In-place rent (EUR/sqm)	6.71	6.69	6.70	5.87	5.10	**6.60**
Market rent increases p.a. in %	3.38	2.65	3.20	1.61	0.36	**3.1**
Vacancy rate in %	2.1	3.2	2.4	2.9	4.3	**2.4**
Multiple	30.1	22.4	28.3	17.4	9.7	**27.1**
Discount rate in %	4.4	5.5	4.6	5.7	7.8	**4.7**
Capitalisation rate in %	4.0	4.7	4.2	5.3	7.5	**4.2**
Maintenance costs (EUR/sqm/p.a.)	11.30	11.70	11.40	12.0	12.80	**11.40**

31/12/2017			Core+	Core	Non-Core	Total
	Berlin	Other	Total	Total	Total	Total
Carrying amount (EUR m)	14,202	2,957	17,159	1,373	63	**18,595**
Carrying amount (EUR/sqm)	2,102	1,580	1,989	1,149	700	**1,876**
Share of carrying amount in %	76.4	15.9	92.3	7.4	0.3	**100.0**
In-place rent (EUR/sqm)	6.47	6.56	6.49	5.68	4.84	**6.38**
Market rent increases p.a. in %	3.41	1.93	3.16	1.26	0.46	**3.0**
Vacancy rate in %	2.3	2.4	2.3	2.6	5.7	**2.4**
Multiple	27.2	19.9	25.5	16.9	13.1	**24.5**
Discount rate in %	4.5	5.8	4.7	6.1	7.3	**4.8**
Capitalisation rate in %	4.2	5.0	4.4	5.5	6.1	**4.5**
Maintenance costs (EUR/sqm/p.a.)	10.05	10.02	10.05	10.39	10.72	**10.07**

There may be some interplay between non-observable input factors. For example a rise in the vacancy rate due to greater risk exposure may have an effect on the discount factor; a fall in the vacancy rate may potentially result in higher rent increases and higher realisable rents may also trigger an increase in maintenance expenses.

An adjustment to the key valuation parameters (market rental growth during the detailed planning phase 20% lower than anticipated; 0.1% rise in the discount rate; 0.1% increase in the capitalisation rate) would result in the following non-cumulative value adjustments to the carrying amount of the residential and commercial buildings:

31/12/2018			Core+	Core	Total
in %	Berlin	Other	Total	Total	
Market rental growth	–6.20	–4.06	–5.79	–3.21	**–5.62**
Discount rate	–0.82	–0.68	–0.80	–0.75	**–0.79**
Capitalisation rate	–1.77	–1.23	–1.67	–1.23	**–1.64**

31/12/2017			Core+	Core	Total
in %	Berlin	Other	Total	Total	
Market rental growth	–6.33	–3.27	–5.80	–2.58	**–5.87**
Discount rate	–0.83	–0.74	–0.81	–0.76	**–0.81**
Capitalisation rate	–1.68	–1.26	–1.61	–1.12	**–1.57**

Nursing facilities

The nursing facilities were valued as of 31 December 2018 by W&P Immobilienberatung GmbH (as of 31 December 2017 by CB Richard Ellis GmbH). The key inputs for the valuation were average market rents, discount rates and capitalisation rates and maintenance expenses:

	31/12/2018[1]	31/12/2017
Market rent (EUR/sqm)	9.33	10.71
Discount rate in %	4.60	5.74
Capitalisation rate in %	–	5.33
Maintenance costs (EUR/sqm/p.a.)	10.02	–

1 In contrast to the previous year the maintenance costs were included separately and not as part of the interest rate. This, along with the new detailed planning period of 100 years, meant there was no need for a separate capitalisation rate.

Any adjustment of these material input factors (lowering of market rents by 5%; increase in the discount and capitalisation rate of 0.1%; increase in maintenance expenses of 10%) will result in the following non-cumulated fair value adjustments on the basis of the carrying amount of the nursing properties:

in %	31/12/2018[1]	31/12/2017
Market rent	–5.0	–3.1
Discount rate	–2.0	–0.8
Capitalisation rate	–	–1.1
Maintenance costs	–1.0	–

1 In contrast to the previous year the maintenance costs were included separately and not as part of the interest rate. This, along with the new detailed planning period of 100 years, meant there was no need for a separate capitalisation rate.

The investment properties to some extent serve as collateral for the loans. There are also agreements in place in individual cases pursuant to which the condition of the properties may not deteriorate or the average minimum investments have been determined on a per-square-metre basis.

2 Leases

The rental agreements concluded by Deutsche Wohnen with its tenants generated rental income in the amount of EUR 785.5 million (previous year: EUR 744.2 million). The expenses directly associated with the investment properties amounted to EUR 466.7 million (previous year: EUR 457.9 million).

In financial year 2019, Deutsche Wohnen will receive minimum lease payments totalling approximately EUR 212 million pursuant to existing operating lease agreements concluded with third parties (termination thereof presumably subject to the statutory notice period of three months) and in connection with its current property portfolio for the Residential Property segment.

In the context of its Assisted Living and Nursing segment operations, Deutsche Wohnen will receive additional minimum lease payments in the amount of approximately EUR 5.9 million in 2019 (average contractually stipulated period of notice for termination: one month). Deutsche Wohnen is set to realise leasing income from the nursing properties under external management in the amount of approximately EUR 39 million in the financial year 2019.

In addition to the limitations imposed by law, Deutsche Wohnen is also to some extent subject to restrictions with regard to rent increases in the case of tenants with certain prior claims and in connection with grants in the form of subsidised-interest loans or investment subsidies. Additionally, we are required to comply with legal stipulations in the context of the privatisation of residential units.

3 Property, plant and equipment

Land and buildings, technical facilities and plant and equipment classified under IAS 16 are reported under this item. They developed as follows during the financial year:

31/12/2018

EUR m	Owner-occupied properties	Technical facilities and machinery	Office furniture and equipment	Total
Cost				
Opening balance	18.8	84.4	24.1	127.3
Additions	8.8	46.1	17.7	72.6
Additions by way of company acquisitions	0.0	3.7	0.8	4.5
Disposals	0.0	–17.0	–1.0	–18.0
Reclassifications	2.8	0.0	0.0	2.8
Closing balance	**30.4**	**117.2**	**41.6**	**189.2**
Cumulative depreciation and amortization				
Opening balance	4.4	18.5	12.1	35.0
Additions	0.7	10.7	4.2	15.6
Disposals	0.0	–7.0	–0.9	–7.9
Closing balance	**5.1**	**22.2**	**15.4**	**42.7**
Net carrying amounts	**25.3**	**95.0**	**26.2**	**146.5**

31/12/2017

EUR m	Owner-occupied properties	Technical facilities and machinery	Office furniture and equipment	Total
Cost				
Opening balance	15.0	41.6	23.2	79.8
Additions	1.5	42.8	4.2	48.5
Disposals	0.0	0.0	–3.1	–3.1
Reclassifications	2.3	0.0	–0.2	2.1
Closing balance	**18.8**	**84.4**	**24.1**	**127.3**
Cumulative depreciation and amortization				
Opening balance	3.7	8.4	11.8	23.9
Additions	0.7	10.1	3.0	13.8
Disposals	0.0	0.0	–2.7	–2.7
Closing balance	**4.4**	**18.5**	**12.1**	**35.0**
Net carrying amounts	**14.4**	**65.9**	**12.0**	**92.3**

The land and buildings included in property, plant and equipment (EUR 25.3 million, previous year: EUR 14.4 million) are pledged as collateral.

Technical facilities and machinery included leased assets in the amount of EUR 80.3 million (previous year: EUR 62.5 million), which are attributable to the Group as the beneficial owner of the assets to which the finance leases in question relate.

4 Intangible assets

The changes in intangible assets were as follows:

31/12/2018

EUR m	Goodwill	Other	Total
Cost			
Opening balance	11.4	20.1	31.5
Additions	0.0	5.4	5.4
Additions by way of company acquisitions	10.8	0.3	11.1
Disposals	0.0	0.0	0.0
Closing balance	**22.2**	**25.8**	**48.0**
Cumulative depreciation and amortization			
Opening balance	0.0	12.5	12.5
Additions	0.7	3.4	4.1
Disposals	0.0	0.0	0.0
Closing balance	**0.7**	**15.9**	**16.6**
Net carrying amounts	**21.5**	**9.9**	**31.4**

31/12/2017

EUR m	Goodwill	Other	Total
Cost			
Opening balance	11.4	19.5	30.9
Additions	0.0	1.7	1.7
Disposals	0.0	–1.1	–1.1
Closing balance	**11.4**	**20.1**	**31.5**
Cumulative depreciation and amortization			
Opening balance	0.0	10.4	10.4
Additions	0.0	3.1	3.1
Disposals	0.0	–1.0	–1.0
Closing balance	**0.0**	**12.5**	**12.5**
Net carrying amounts	**11.4**	**7.6**	**19.0**

Additional goodwill of EUR 8.1 million stems from the provisional purchase price allocation for the acquisition of GETEC Media Group (see chapter B.1 "Basis of consolidation" for further information). The goodwill represents the earnings potential of the acquired business and has been allocated in full to the group of acquired companies. Impairment testing was conducted on the basis of the following budget assumptions and market-based parameters:

The projected inflows of funds were calculated on the basis of past experience and take account of expected market growth in the specific business areas. Should the inflow of funds be reduced by 27%, the value in use will be commensurate with the book value.

The cash flows after the five-year detailed budgeting phase are extrapolated on the basis of a growth rate of 1.2% which does not exceed the average rate of growth in the market or the industry. Should the growth rate fall to –2.87%, the value in use will be commensurate with the book value.

The discount rate is calculated on the basis of average weighted capital costs for the nursing and healthcare sector. The present value is calculated using a discount rate based on the Group's weighted capital cost rate of 8.35% before taxes. Should the discount rate be raised to 10.88%, the value in use will be commensurate with the book value.

The purchase price allocation for the Helvetica Services transaction was concluded in the financial year 2018 and the provisional fair values were confirmed upon its first-time consolidation. Annual impairment testing of the goodwill from this transaction resulted in an impairment loss of EUR 0.7 million. Goodwill after impairment of EUR 2.0 million reflects the synergy effects of integrating the acquired companies into the Residential segment and is allocated in full to the cash-generating unit Helvetica Services GmbH. Impairment testing of the goodwill for Helvetica Services was performed on the basis of the following planning premises and market-based parameters:

The projected inflows of funds were calculated on the basis of past experience and take account of expected market growth in the specific business areas.

The cash flows after the five-year detailed budgeting phase are extrapolated on the basis of a growth rate of 1.1% which does not exceed the average rate of growth in the market or the industry.

The discount rate is calculated on the basis of weighted average capital costs. The present value is calculated using a discount rate based on the Group's weighted capital cost rate of 9.94% before taxes.

The value in use of the cash-generating unit is approximately EUR 2.0 million.

The annual impairment test applied to the goodwill arising out of the HSD transaction did not result in any impairment. The goodwill of EUR 11.4 million (previous year: EUR 11.4 million) reflects the synergy effects arising as a result of the integration of the acquired companies into the Nursing and Assisted Living segment of the Deutsche Wohnen Group and has therefore been allocated in its entirety to the acquired HSD Group as the cash-generating unit. Impairment testing was conducted on the basis of the following budget assumptions and market-based parameters:

The projected inflows of funds were calculated on the basis of past experience and take account of expected market growth in the specific business areas. Should the inflow of funds be reduced by 65% (previous year: 12%), the value in use will be commensurate with the book value.

The cash flows after the five-year detailed budgeting phase are extrapolated on the basis of a growth rate of 1.3% (previous year: 1.0%) which does not exceed the average rate of growth in the market or the industry. Should the growth rate fall to –7.81% (previous year: –0.45%), the value in use will be commensurate with the book value.

The discount rate is calculated on the basis of average weighted capital costs for the nursing and healthcare sector. The present value is calculated using a discount rate based on the Group's weighted capital cost rate of 8.92% (previous year: 9.24%) before taxes. Should the discount rate be raised to 13.58% (previous year: 10.17%), the value in use will be commensurate with the book value.

5 Land and buildings held for sale

The increase in the land and buildings held for disposal is largely due to the structuring of the property portfolio and the allocation of properties to the Disposals segment. In the financial year 2018, proceeds of EUR 27.3 million (previous year: EUR 188.1 million), were achieved. The proceeds were partly offset by carrying amounts of assets sold of EUR 19.5 million (previous year: EUR 153.7 million).

6 Trade receivables

Receivables are made up as follows:

EUR m	31/12/2018	31/12/2017
Receivables from rental activities	12.3	12.3
Receivables from the disposal of land	5.9	1.2
Other trade receivables	4.2	2.0
	22.4	**15.5**

Receivables from rental activities are interest-free and are always overdue. Impairments are carried out on an age distribution basis and depending on whether the tenants in question are current or former tenants. Loss allowances have been recognised for almost all overdue receivables.

In the financial year 2018, rent receivables of EUR 0.9 million (previous year: EUR 1.9 million) were written down as impaired. The loss allowance on receivables as at 31 December 2018 amounted to EUR 21.6 million (previous year: EUR 20.9 million) and results largely from further loss allowances in the reporting year.

Receivables from the disposal of land are interest-free and are due between 1 and 90 days.

Receivables from the sale of land are not impaired and only overdue to a very minor extent.

Other receivables are interest-free and are generally due within a period of between 1 and 90 days.

7 Derivative financial instruments

Deutsche Wohnen concluded several interest hedging transactions for a nominal amount of EUR 1.3 billion (previous year: EUR 1.0 billion). The cash flows from the underlying transactions, which are secured in the scope of the cash flow hedge accounting, will be realised in the years from 2019 to 2028. The strike rates are between –0.20% and 1.49% (previous year: between –0.80% and 1.63%). The total fair value of these transactions (aggregate of both positive and negative amounts) amounted to EUR –14.6 million as at 31 December 2018 (previous year: EUR –1.9 million).

There are no significant default risks, given that the interest rate swaps were concluded solely with banks with good credit ratings. If the interest rate level changes, the fair value changes accordingly. Income and expenses are recognised in equity for the effective part of a hedge, while the non-effective part is recognised within current earnings.

The fair values and nominal values of all the interest rate hedges are shown below by remaining term to maturity:

EUR m	Fair values		Nominal values	
Maturity	2018	2017	2018	2017
Up to 1 year	–0.3	0.0	122.0	87.9
From 1 to 5 years	–1.7	–0.5	220.2	415.3
From 5 to 10 years	–12.6	–1.5	966.8	482.0
	–14.6	**–2.0**	**1,309.0**	**985.2**

The negative carrying amount of interest rate hedges presented in hedge accounting is EUR 6.0 million (previous year: EUR 0.5 million) and is shown under liabilities in the balance sheet item "Derivative instruments by maturity". The cash flow hedge reserve developed as follows:

EUR m	2018	2017
Opening balance as of 01/01	–2.0	–19.2
Plus: amount of change in fair value of hedging instruments recognised in other comprehensive income	–3.5	0.4
Less: amount reclassified from other comprehensive income to interest expenses	1.7	24.2
Less: deferred taxes	0.4	–7.4
Final balance as at 31/12	**–3.4**	**–2.0**

An amount of EUR 0.1 million was reclassified to interest expenses as ineffective in the reporting year. The following table shows the nominal amounts and the weighted average hedged rate from the hedging relationship:

EUR m	2018	2017
Nominal amount	298.2	133.3
Weighted average hedged rate in the financial year in %	0.44	0.73

8 Cash and cash equivalents

The cash and cash equivalents of EUR 332.8 million (previous year: EUR 363.7 million) mainly consist of cash at bank and cash on hand. Bank balances earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rate.

9 Equity

Please refer to the consolidated statement of changes in equity with regard to the development of the Group's equity.

a) Issued share capital

The issued capital of Deutsche Wohnen SE amounted to approximately EUR 357.0 million as at 31 December 2018 (previous year: EUR 354.7 million), comprising approximately 357.0 million no-par value bearer shares, each representing a notional share of the issued capital of EUR 1.00. Only bearer shares have been issued by Deutsche Wohnen. The shares are fully paid-in.

Share capital increased by EUR 2.2 million following the contribution in kind from the first share dividend in July 2018.

All shares carry the same rights and obligations. Each share entitles the holder to one vote at the Annual General Meeting and determines the shareholders' shares in the profits of the company. The rights and obligations of the shareholders are outlined in detail in the provisions of the German Stock Corporation Act [Aktiengesetz – AktG], in particular sections 12, 53a et seq., 118 et seq. and 186. There are no shares with special rights conferring powers of control.

The Management Board of Deutsche Wohnen SE is not aware of any restrictions affecting voting rights or any transfer of shares.

In the event of a capital increase, the new shares are issued as bearer shares.

Changes in authorised capital

EUR k	
Authorised capital 2017/I	
As at 1 January 2018	110,000
In-kind capital increase of 17 July 2018 ("script dividend")	2,241
Cancelled by resolution of the Annual General Meeting on 15 June 2018	107,759
As at 31 December 2018	**0**
Authorised capital 2018/I	
Resolution of AGM of 15 June 2018	110,000
Utilisation	0
As at 31 December 2018	**110,000**

By resolution of the Annual General Meeting held on 15 June 2018, which was entered into the commercial register on 16 August 2018, the Management Board has been authorised to increase the company's issued capital, with the consent of the Supervisory Board, by up to EUR 110 million once or several times during the period until 14 June 2023 by means of the issuance of up to 110 million new ordinary bearer shares against cash contributions and/or contributions in kind (authorised capital 2018/I). The shareholders must always be granted subscription rights within the scope of the authorised capital. However, in certain cases, the Management Board will be entitled to exclude the subscription rights of shareholders with the consent of the Supervisory Board and subject to the detailed provisions of the Articles of Association. The authorised capital 2017/I was cancelled upon the registration of the authorised capital 2018/I.

Changes in contingent capital

EUR k	2014/II	2014/III	2015/I	2017/I	2018/I	Total
As at 1 January 2018	**5,891**	**12,880**	**50,000**	**67,000**	**0**	**135,771**
Resolution reducing share capital adopted by the Annual General Meeting held on 15 June 2018	–	–	–	–37,000	–	–37,000
Resolution adopted by the Annual General Meeting held on 15 June 2018	–	–	–	–	35,000	35,000
Capital increase by issue of shares to settle the SOP 2014[1]	–	–89	–	–	–	–89
Capital increase by issue of put options (GSW control agreement)[1]	–18	–	–	–	–	–18
As at 31 December 2018	**5,873**	**12,791**	**50,000**	**30,000**	**35,000**	**133,664**

1 The changes in the capital amounts were entered into the commercial register on 1 March 2019.

The issued capital has contingently been increased by a total of up to EUR 133.66 million by means of the issuance of up to approximately 133.66 million new no-par value bearer shares with dividend rights generally from the start of the financial year of their issuance (contingent capital 2014/II, contingent capital 2014/III, contingent capital 2015/I, contingent capital 2017/I and contingent capital 2018/I).

Issuance of option rights, bonds with warrants or conversion rights, profit participation rights or profit-sharing bonds

By resolution of the Annual General Meeting held on 15 June 2018, the Management Board has been authorised, with the consent of the Supervisory Board, to issue no-par value convertible bonds, option bonds, participation rights and/or participating bonds (or combinations of these instruments) in the nominal value of up to EUR 3.0 billion once or several times, and to grant the creditors thereof conversion or option rights for the company shares representing a share of the issued capital of up to EUR 35 million. Shares will only be issued to the extent that conversion rights from convertible bonds are exercised or conversion obligations from the bonds are fulfilled and unless treasury shares, shares from authorized capital or other services are used for servicing.

Acquisition of treasury shares

The acquisition of treasury shares is authorised pursuant to article 5 SE Regulation in conjunction with section 71 et seq. German Stock Corporation Act [Aktiengesetz – AktG] and also, as at the balance sheet date, by the Annual General Meeting held on 15 June 2018 (agenda item 9). By resolution of the AGM dated 15 June 2018 the Management Board is authorised, with the consent of the Supervisory Board and subject to compliance with the principle of equal treatment of shareholders (article 9 para. 1 c)(ii) SE Regulation in conjunction with section 53a German Stock Corporation Act [Aktiengesetz – AktG]) to purchase and use the company's own shares to 14 June 2023 up to a total amount of 10% of the company's outstanding share capital at the time the resolution is passed, or at the time the authorisation is used if this figure is lower. The amount of any shares acquired on the basis of this authorisation together with other shares of the company already acquired and still held by the company or other shares attributable to the company pursuant to article 5 SE Regulation in conjunction with section 71a et seq. German Stock Corporation Act [Aktiengesetz – AktG] may not at any time exceed 10% of the issued capital of the company.

The authorisation may not be used for the purpose of trading in treasury shares.

As at the balance sheet date, the company did not hold any treasury shares.

b) Capital reserve

The capital reserve increased by EUR 86.7 million due to the in-kind contribution from the script dividend in July 2018, from which EUR 0.5 million incurred for the capital increases and EUR 0.1 million in income tax effects related to these costs were deducted. Furthermore, the capital reserve was increased by EUR 0.7 million, as a result of the contribution in kind of GSW Immobilien AG shares in place since September 2014 within the scope of the share exchange resulting from the control agreement. Furthermore, the capital reserve increased by EUR 0.3 million due to the stock option programme.

c) Retained earnings

Retained earnings comprise the revenue reserve of Deutsche Wohnen and the accumulated profit/loss carried forward.

The maintenance of the statutory reserve is mandatory for German public limited companies [Aktiengesellschaften]. An amount equivalent to 5% of the profit for the financial year is to be retained pursuant to section 150 para. 2 of the German Stock Corporation Act [Aktiengesetz – AktG]. The amount of the statutory reserve is subject to a cap of 10% of the issued capital. In accordance with section 272(2)(1)–(3) of the German Commercial Code [Handelsgesetzbuch – HGB], any existing capital reserves are to be taken into account and the provisions required for the statutory reserve reduced accordingly. This is measured on the basis of the issued share capital which exists and is legally effective at the reporting date and which is to be reported in this amount on the respective annual balance sheet. The statutory reserve remains unchanged at EUR 1.0 million.

d) Non-controlling interests

The share of non-controlling interests largely relates to the shares of third parties in the earnings of the fully-consolidated holding companies not wholly owned by Deutsche Wohnen.

10 Financial liabilities

The company has taken on bank loans particularly to finance property and company transactions and property acquisitions.

Overall, the amount of the financial liabilities increased in 2018, largely as a result of the raising of the amounts of existing loans in the context of property acquisitions.

The financial liabilities are hedged at approximately 84.7% (previous year: approximately 82%) at a fixed rate and/or through interest rate swaps.
The average rate of interest was approximately 1.5% (previous year: approximately 1.5%).

The loan renewal structure based on current outstanding liability is as follows:

EUR m	Carrying amount	Nominal amount	2018	2019	2020	2021	2022	≥2023
Loan renewal structure 2018	6,184.6	6,247.8	–	13.0	106.4	121.4	450.5	5,556.5
Loan renewal structure 2017	4,751.1	4,828.3	8.8	6.6	220.4	176.3	593.6	3,822.6

The liabilities are almost entirely secured by property as collateral.

11 Corporate bonds and convertible bonds

Deutsche Wohnen issued various long-term bearer bonds with a total nominal volume of EUR 315 million, primarily in the second half of 2018.

Commercial papers were also issued for a nominal volume of EUR 60 million, which will be redeemed in financial year 2019.

The following Deutsche Wohnen bonds and convertible bonds were outstanding as at 31 December 2018:

Type	Issuance	Maturity max.	Nominal (EUR m)	Coupon % p.a.	Carrying amount (EUR m)	Conversion price (EUR/share)
Convertible bonds	2017	2024	800.0	0.325	854.0	47.9555
Convertible bonds	2017	2026	800.0	0.600	843.2	50.5052
Total convertible bonds			**1,600.0**		**1,697.2**	
Corporate bond	2015	2020	500.0	1.375	501.4	–
Registered bonds	2017	2027–2032	325.0	1.600–2.00	326.5	–
Bearer bonds	2018	2028–2034	315.0	1.675–2.50	312.3	–
Commercial paper	2018	2019	60.0	–	60.2	

12 Employee benefit liabilities

The company's pension scheme consists of defined benefit and defined contribution plans. The average term of the obligations is approx. 14.1 years (previous year: 14.5 years), payments from pension benefit plans for 2019 are expected in the amount of EUR 3.6 million (less payments on plan assets) (previous year: EUR 3.5 million).

Employee benefit liabilities are determined using the projected unit credit method in accordance with IAS 19. Future obligations are measured using actuarial methods that estimate the relevant parameters.

The level of pension obligations (defined benefit obligation of the pension commitments) was calculated in accordance with actuarial methods on the basis of an external expert report and the following factors:

in %	31/12/2018	31/12/2017
Discount rate	1.60	1.50
Future salary increases	2.50	2.50
Future pension increases	1.75	1.75
Increase in the contribution assessment ceiling	2.25	2.25
Mortality tables	R 18G	R 05G

The trend in salaries includes expected future salary increases that depend, among other things, on the inflation rate and the length of service in the company.

The employee benefit liabilities taken over in the scope of the BauBeCon acquisition are financed through the ufba – Unterstützungskasse zur Förderung der betrieblichen Altersversorgung e.V. (Assistance Fund for the Promotion of Company Pension Plans inc. soc.) – and recognised on the balance sheet as plan assets. The valuation applied an interest charge in the amount of 1.60%.

The following summary shows the financing status of the Group's pension plans, which is at the same time equivalent to the balance sheet amount:

EUR m	31/12/2018	31/12/2017
Present value of employee benefit liabilities	71.3	73.8
Less fair value of the plan assets	–7.9	–8.1
	63.4	**65.7**

The following table shows the development of the present value of the defined benefit liabilities and the fair value of the plan assets:

EUR m	31/12/2018	31/12/2017
Opening balance employee benefit liability	73.8	74.8
Pension payments	–3.5	–3.1
Interest expense	1.1	1.1
Service cost	0.6	0.6
Actuarial gains/losses	–0.7	0.4
Closing balance employee benefit liability	**71.3**	**73.8**
Of which pension plans funded by plan assets	10.7	11.1
Of which pension plans not funded by plan assets	60.6	62.7
Opening balance plan assets	8.1	7.2
Interest revenues from plan assets	0.1	0.1
Pension payments from plan assets	–0.4	–0.4
Actuarial gains/losses	0.1	1.2
Closing balance plan assets	**7.9**	**8.1**

The pension expenses comprise the following:

EUR m	2018	2017
Interest expense	–1.1	–1.0
Service cost	–0.6	–0.6
	–1.7	**–1.6**

Pension commitments include old-age, disability, surviving spouse and surviving dependant pensions. They are based on the last fixed annual gross salary. Different benefit plans apply depending on the employee's position in the company.

The pro rata interest expenses are recognised as "Interest expenses" in the consolidated profit and loss statement, while current pension payments, service expenses and adjustments to current pensions are recognised as "Staff expenses".

Total expenses of EUR 8.8 million (previous year: EUR 7.2 million) were incurred for defined contribution pensions. Therefore, total expenses for retirement provisions (defined benefit and defined contribution) amounted to EUR 10.5 million (previous year: EUR 8.8 million). For 2019, based on the current number of employees, the cost will total EUR 10.3 million.

A drop in the interest rate of 0.25% would result in an increase in pension obligations of 3.47%; an interest rate increase of 0.25% would result in a reduction of pension obligations of 3.28%. A drop in the pension progression of 0.25% would result in an increase in pension obligations of 2.65%; a pension progression increase of 0.25% would result in a reduction of pension obligations of 2.76%.

The sensitivity calculations are based on the average term of the pension liabilities determined as at 31 December 2018. They were carried out for each of the actuarial parameters classified as significant with a view to demonstrating the effect on the present value of the employee benefit liabilities calculated as at 31 December 2018 on a separate basis. Given that the sensitivity analyses are based on the average term of the expected pension liabilities and consequently do not take account of the expected payment dates, they provide only approximate information or indications of future trends.

We do not currently consider that any further changes to the relevant actuarial parameters are likely to occur which could result in material adjustments to the carrying amounts of the employee benefit liabilities over the next few years.

Provisions in the amount of EUR 12,000 (previous year: EUR 9,000) have been established for commitments made for the benefit of any members of the Management Board becoming unable to work. These are also recorded under employee benefit liabilities.

13 Liabilities arising out of finance leases

Deutsche Wohnen recognises liabilities for heat contracting for its property portfolio and for land leases under which it holds building rights as finance leases. The carrying amount of the liabilities arising out of finance leases was EUR 146.3 million as at the end of the year (previous year: EUR 65.6 million) and are reported in other financial liabilities by maturity

The finance leases give rise to the following financial liabilities:

31/12/2018

EUR m	Due within one year	Due in 1 to 5 years	Due after 5 years
Payments	15.4	54.6	152.9
Interest component	–2.3	–8.0	–66.3
Redemption component	**13.1**	**46.6**	**86.6**

31/12/2017

EUR m	Due within one year	Due in 1 to 5 years	Due after 5 years
Payments	9.7	34.2	27.4
Interest component	–0.7	–2.6	–2.4
Redemption component	**9.0**	**31.6**	**25.0**

14 Other provisions

The other provisions comprise the following:

EUR m	Restructuring	Legal risks	Other	Total
Opening balance	**1.0**	**1.6**	**17.6**	**20.2**
Utilisation	–0.2	–0.1	–2.1	–2.4
Reversal	0.0	–1.0	–5.1	–6.1
Additions	1.1	6.2	5.6	12.9
Closing balance	**1.9**	**6.7**	**16.0**	**24.6**
Of which: non-current	1.3	5.3	8.6	15.2
Of which: current	0.6	1.4	7.4	9.4

The provisions for restructuring measures primarily comprise obligations arising in connection with the integration of the business operations of GSW Immobilien AG.

Other provisions (EUR 16.0 million; previous year: EUR 17.6 million) relate to a large number of third-party liabilities.

The additions include accrued interest on non-current provisions in the amount of EUR 0.1 million.

15 Tax liabilities

The amount of tax liabilities (EUR 36.0 million; previous year: EUR 27.2 million) primarily comprises provisions for current taxes and for possible tax-related risks arising in connection with external audits.

16 Deferred taxes

The deferred taxes comprise the following:

EUR m	31/12/2018	Change	31/12/2017
Deferred tax assets			
Properties	1.9	–0.6	2.5
Pensions	8.9	–0.8	9.7
Loss carry-forwards	267.2	0.9	266.3
Interest rate hedges	4.0	1.9	2.1
Loans	0.5	0.4	0.1
Convertible bonds	14.3	–6.0	20.3
Other	42.0	15.6	26.4
	338.8	**11.4**	**327.4**
Netting	–338.7	–11.7	–327.0
Carrying amount	0.1	–0.3	0.4
Deferred tax liabilities			
Loans	19.0	–3.0	22.0
Properties	3,525.5	747.1	2,778.4
Other	38.9	15.6	23.3
	3,583.4	**759.7**	**2,823.7**
Netting	–338.7	–11.7	–327.0
Carrying amount	3,244.7	748.0	2,496.7
Deferred taxes (net)	**–3,244.6**	**–748.3**	**–2,496.3**

The changes in deferred taxes in financial year 2018 and 2017 are as follows:

EUR m	2018	2017
Reported directly in other comprehensive income	–11.6	–7.6
Recognised in profit/loss	–736.7	–802.4
	–748.3	**–810.0**

The actuarial gains and losses from pensions, changes in the fair value of the effective hedges and the counterparty risk of convertible bonds are recognised directly in other comprehensive income. The resulting deferred taxes are also recognised in other comprehensive income and consist of EUR 0.1 million (previous year: EUR 6.9 million) for actuarial profit and losses, EUR 0.4 million (previous year: EUR 0.9 million) for fair value changes of effective hedges, and EUR –12.1 million (previous year: EUR 0.0 million) for the counterparty risk of convertible bonds.

The increase in the amount of the deferred tax liabilities with regard to properties in the financial year 2018 was largely the result of the revaluation of the investment properties.

The Deutsche Wohnen Group has corporation tax loss carry-forwards in the amount of EUR 1,542.9 million (previous year: EUR 1,640.8 million) and trade tax loss carry-forwards in the amount of EUR 1,277.9 million (previous year: EUR 1,358.1 million). The amounts of corporation and trade tax loss carry-forwards for which no deferred tax assets are recognised amount to EUR 596.5 million (previous year: EUR 718.6 million) and EUR 447.0 million (previous year: EUR 519.3 million). In general, loss carry-forwards do not expire.

In the 2018 fiscal year, no deferred tax assets were recognised for temporary differences of EUR 37.7 million (previous year: EUR 14.8 million) because it is unlikely that sufficient taxable income will be generated for these amounts in the near future.

No deferred tax liabilities were recognised for profits of EUR 7,490.9 million accrued at subsidiaries (previous year: EUR 5,614.0 million), because these profits are intended to stay invested for an indefinite period or are not subject to tax. If the subsidiaries make a distribution or are sold, 5% of the distribution or disposal gain is subject to tax, which would generally give rise to an additional tax payment.

E Disclosures on the consolidated income statement

The consolidated profit and loss statement is prepared using the total cost method.

1 Contracted rental income and operating costs

The income from contracted rental income and operating costs is made up as follows:

EUR m	2018	2017
Contractual rent	807.7	762.7
Subsidies	0.8	1.0
	808.5	**763.7**
Vacancy losses	–23.0	–19.5
	785.5	**744.2**
Operating costs	337.4	326.5[1]
	1,122.9	**1,070.7**

1 Previous year's figure altered due to first-time application of IFRS 15. The application of IFRS 15 as of 1 January 2018 means that income from reinvoicing operating costs, which in previous years were offset and recognised as non-recoverable operating costs under expenses from Residential Property Management, are now shown on a gross basis.

Disclosures on revenue recognition pursuant to IFRS 15

In the Group, tenancy agreements are concluded which essentially comprise the net rent exclusive of heating expenses plus operating costs. The contract component "net rent exclusive of heating expenses" is a lease and so falls within the scope of IAS 17 'Leases', whereas income from operating costs falls within the scope of IFRS 15 'Revenue from contracts with customers'. Income from operating costs consists of the expenses that are charged to tenants and do not include any margin. In addition, sales revenue is mainly generated from the disposal of property and the provision of nursing services.

The following table shows the main income streams by type and timing of revenue recognition; allocated to the segments in which it is presented.

Segments	Residential Property Management	Disposals	Nursing and Assisted Living	Total
Goods/services				
Operating costs	337.4	–	–	337.4
Privatisation	–	68.7	–	68.7
Institutional sale	–	111.6	–	111.6
Nursing care	–	–	68.1	68.1
	337.4	**180.3**	**68.1**	**585.8**
Time of revenue recognition				
Goods or services transferred at a point in time	–	180.3	–	180.3
Goods or services transferred over time	337.4	–	54.5	391.9
	337.4	**180.3**	**54.5**	**572.2**

2 Expenses from Residential Property Management

The expenses from Residential Property Management are made up as follows:

EUR m	2018	2017
Maintenance costs	102.9	104.7
Operating costs	347.2	335.8[1]
Rental loss	7.7	6.4
Other costs	8.9	11.0
	466.7	**457.9**

1 Previous year's figure altered due to first-time application of IFRS 15. The application of IFRS 15 as of 1 January 2018 means that the expenses for operating costs, which in prior years were offset and recognised as non-refundable operating costs, are now shown on a gross basis.

3 Earnings from Disposals

The earnings from Disposals include income from sales proceeds, disposal costs and carrying amounts of assets sold of investment properties and land and buildings held for sale.

4 Earnings from Nursing and Assisted Living

The earnings from Nursing and Assisted Living comprise the following:

EUR m	2018	2017
Income from nursing	68.1	63.8[1]
Rental and lease income	67.2	56.9[1]
Nursing and corporate expenses	–24.5	–22.2
Staff expenses	–54.2	–49.9
Expenses for leased properties	–1.3	–0.6
	55.3	**48.0**

1 Previous year's figure altered due to first-time application of IFRS 15. Nursing and rental income are reported separately.

5 Corporate expenses

The corporate expenses comprise the following:

EUR m	2018	2017
Staff expenses	**62.8**	**53.8**
General and administration expenses		
IT costs	8.8	7.8
Building costs	3.1	3.3
Legal, consultancy and audit costs	5.9	5.8
Communication costs	3.8	2.8
Printing and telecommunication costs	1.9	1.8
Travel expenses	1.2	1.1
Insurance policies	1.0	1.0
Other	5.2	3.9
	30.9	**27.5**
	93.7	**81.3**

The number of employees of the Deutsche Wohnen Group allocated to the Residential Property segment in the financial year averaged 1,165 (previous year: 986 employees). KATHARINENHOF Seniorenwohn- und Pflegeanlage Betriebs-GmbH, in which Deutsche Wohnen SE holds a 49% stake, also employed an average of 1,987 employees (previous year: 1,726 employees).

6 Other income

Other operating revenues primarily comprised revenues from internally generated assets and licences.

7 Other expenses

Other expenses in 2018 of EUR 7.1 million related primarily to one-off IT and marketing projects. In 2017 the item mainly consisted of transaction-related land tax payments of EUR 23.4 million.

8 Share-based remuneration

The share option plan launched in 2014 provides for the possibility of issuing a maximum of 12,879,752 subscription rights to the members of the Management Board of Deutsche Wohnen SE and to selected executives of the Deutsche Wohnen Group under the following conditions:

The subscription rights are issued to beneficiaries in annual tranches until the expiration of four years from the date of the entering of the contingent capital in the commercial register, or at least until the expiration of 16 weeks following the conclusion of the ordinary Annual General Meeting in 2018. The amount of the annual tranches is determined by dividing the target amount of the variable remuneration for the beneficiary in question by a reference value, which is commensurate with the arithmetical mean of the closing price for the Deutsche Wohnen share 30 days prior to the issuance of the share options concerned.

The subscription rights may be exercised for the first time after the expiration of four years (waiting period) and thereafter within three years (exercise period) and expire at the end of the relevant period.

The subscription rights may only be exercised where the following conditions are met:

- The service contract concluded with the beneficiary is not terminated during the waiting period on grounds for which the latter is responsible (section 626 para. 1 of the German Civil Code [BGB]) and
- the performance targets "adjusted NAV per share" (40% weighting), "FFO (without disposals) per share" (40% weighting) and "share price" (20% weighting) have been attained.

The performance targets for each individual tranche of the share options relate to the development of the (i) "adjusted NAV per share", (ii) "FFO (without disposals) per share" and (iii) "share price", as compared to the "adjusted EPRA/NAREIT Germany Index", calculated in accordance with the following provisions.

Each of the aforementioned performance targets in turn comprises a minimum target, which must be attained in order for half of the share options allotted to this performance target to be generally exercisable, as well as a maximum target, upon the attainment of which all of the share options allotted to this performance target become exercisable in accordance with the weighting of the performance target in question. The minimum target in each case is set at a degree of target attainment of 75% and the maximum target is set at a degree of target attainment of 150%. The individual minimum and maximum targets are set by the company on the basis of its quarterly projections prior to the issuance of the annual tranche of share options. Subject to any special arrangements which apply upon the termination of the service or employment relationship of the beneficiary prior to the expiration of the waiting period, the number of exercisable share options per tranche is commensurate with the total number of share options in the tranche in question multiplied by the percentage rate produced by the total of the percentage rates resulting from the attainment of one or more performance targets in accordance with the foregoing provisions, and having regard to the aforementioned weighting of the performance targets, so as to compensate for any divergences in the attainment of the performance targets in favour of the beneficiary.

At the end of the waiting period, the number of the subscription rights eligible for allocation to each beneficiary is calculated on the basis of the degree of attainment of the performance targets. Each beneficiary pays EUR 1 per share upon exercising the allocated subscription rights. The shares acquired following the exercise of the options confer full voting rights and an entitlement to the payment of dividends.

In the past financial year no subscription rights were issued under the SOP 2014 (previous year: 64,857), with the result that 193,667 subscription rights were outstanding at the end of the year (previous year: 282,994). The expenses relating to the share option programme as reported in the consolidated financial statements amounted to EUR 1.4 million.

9 Gains/losses from fair value adjustments to derivative financial instruments and convertible bonds

Gains/losses from fair value adjustments comprise negative fair value adjustments of the convertible bonds in the amount of EUR 70.7 million (previous year: EUR 229.0 million) and negative value adjustments for derivative financial instruments in the amount of EUR 9.6 million (previous year: positive adjustment of EUR 3.0 million).

10 Financial expenses

Finance expenses are made up as follows:

EUR m	2018	2017
Current interest	106.3	100.2
Accrued interest on liabilities and pensions	15.8	18.7
Non-recurring expenses in connection with refinancing	9.3	51.7
	131.4	**170.6**

11 Income taxes

Companies which are domiciled in Germany and structured as a limited liability company are subject to German corporation tax at a rate of 15% and a solidarity surcharge of 5.5% of the corporation tax levied. These entities are also subject to trade tax, the amount of which depends on the tax rates set by local authorities. Companies in the legal form of a partnership are only subject to trade tax. The profit less trade tax is assigned to the limited partners for corporation tax purposes. Limited use of corporation and trade tax loss carryforwards is to be taken into account from the assessment period 2004 onwards.

As a result, a positive tax assessment basis up to EUR 1 million may be reduced by an existing loss carry-forward without limitation; amounts in excess thereof may at most be reduced to 60% by an existing loss carry-forward.

The anticipated nominal income tax rate for 2018 for Deutsche Wohnen SE as the parent company of the Group is 30.18% (previous year: 30.18%).

The income tax expense/benefit comprises the following:

EUR m	2018	2017
Current tax expense	**−27.4**	**−31.2**
Tax expense resulting from capital increase-related costs	**−0.1**	**−1.4**
Deferred tax expense		
Properties	−747.7	−768.5
Loss carry-forwards	0.9	0.9
Loans	3.4	−0.2
Convertible bonds	−6.0	−32.4
Interest rate hedges	2.5	−6.2
Pensions	−1.0	0.3
Other	11.2	3.7
	−736.7	**−802.4**
	−764.2	**−835.0**

The reconciliation of tax expense/benefit is provided in the following overview:

EUR m	2018	2017
Group profit before taxes	2,626.8	2,598.2
Applicable tax rate	30.18%	30.18%
Resulting tax expense	−792.8	−784.0
Permanent effects resulting from non-deductible expenses and trade tax corrections. as well as tax-exempt income	12.5	−14.1
Changes in unrecognised deferred taxes on loss carry-forwards and accrued temporary differences	0.3	−55.9
Income tax expenses from other periods	2.3	12.3
Other effects	13.5	6.7
	−764.2	**−835.0**

The amount of current income taxes for the financial year 2018 includes income from other periods of EUR 2.3 million (previous year: EUR 12.3 million). EUR 0.3 million (previous year: EUR 0.9 million) of the change in unrecognised deferred taxes on loss carry-forwards and accrued temporary differences in the amount of EUR 0.3 million had the effect of reducing the amount of the ongoing tax expenditure.

F Segment reporting

Deutsche Wohnen reports by business segments on the basis of the information provided to the decision-makers of the Deutsche Wohnen Group.

Deutsche Wohnen focuses on the following three main segments in the context of its business activities:

Residential Property Management

Deutsche Wohnen's core business activity is the management of residential properties in the context of active asset management. Asset management includes the modernisation and maintenance of the property portfolio of Deutsche Wohnen, the management of tenancy agreements, support for tenants and the marketing of residential units. The focus of property management is on the optimisation of rental income. Therefore, rental increase potential is examined continuously in the course of ongoing maintenance, tenant turnover is used as an opportunity to create value, and services are purchased based on best-available prices for real savings and passed on to the tenant.

Disposals

The Disposals business segment is another pillar of the Deutsche Wohnen Group's operating activities. Privatisation can take the form of either an individual privatisation transaction, i.e. the sale of an individual residential unit (for example, to a tenant), or block sales.

The Disposals business segment includes all aspects of the preparation and execution of the sale of residential units from our property portfolio as part of the ongoing portfolio optimisation and streamlining process.

In addition, the privatisation of residential property can take place in connection with the future acquisition of portfolios for the purpose of portfolio streamlining as well as for financing purposes.

Certain residential units, particularly in Rhineland-Palatinate, and individual holdings of the GEHAG Group as well as the BauBeCon Group are subject to privatisation restrictions due to the acquisition agreements. In light of the obligations, the Group is partly bound by certain specifications (for example, sale to tenants, general social conditions, etc.) when making privatisation decisions. These restrictions to some extent also prohibit the disposal of the properties in question for a specified period of time.

Nursing and Assisted Living

The Nursing and Assisted Living segment comprises the business operations of the company's subsidiary KATHARINENHOF and the contributions towards the overall results attributable to the income from the lease agreements for the nursing properties managed by a number of external operators. The range of services provided by KATHARINENHOF Seniorenwohn- und Pflegeanlage Betriebs-GmbH (KATHARINENHOF) and its subsidiaries comprises the marketing and management of nursing and residential care homes for the elderly, as well as services relating to the care of the senior citizens residing in those properties.

Inter-company transactions primarily concern agency agreements which are carried out in accordance with the usual market conditions.

The segment reporting is attached to the notes to the consolidated financial statements as Appendix 2.

Segment earnings correspond to the respective sub-totals in the consolidated income statement. The following table shows how segment earnings were reconciled with the consolidated income statement:

EUR m	2018	2017
Total segment earnings	754.6	711.1
Corporate expenses	–93.7	–81.3
Other expenses	–24.4	–37.8
Other income	22.6	8.8
EBITDA before the result from fair value adjustment of investment properties	**659.1**	**600.8**
Gains/losses from fair value adjustments of investment properties	2,179.3	2,397.0
Depreciation and amortization	–10.3	–7.4
Earnings before interest and taxes (EBIT)	**2,828.1**	**2,990.4**
Financial income	7.8	1.4
Gains/losses from fair value adjustments to derivative financial instruments and convertible bonds	–80.3	–226.0
Gains/losses from companies valued at equity	2.6	3.0
Financial expenses	–131.4	–170.6
Earnings before taxes	**2,626.8**	**2,598.2**
Income taxes	–764.2	–834.9
Profit/loss for the period	**1,862.6**	**1,763.3**

G Notes on the cash flow statement

The consolidated statement of cash flows shows how the Group's cash position has changed during the financial year due to the inflow and outflow of funds. In accordance with IAS 7 ('Cash flow statements'), a distinction is made between cash flows from operating and from investing and financing activities.

Other non-cash operating income and expenses mainly include carrying profits from disposals (2018: EUR 28.1 million; previous year: EUR 52.1 million). In total, Deutsche Wohnen received EUR 177.9 million (previous year: EUR 303.5 million) from property disposals. Purchase of property, plant and equipment includes payments for modernisation and acquisition of investment properties and land and buildings held for sale.

The Group has funds amounting to EUR 449.6 million (previous year: EUR 447.2 million) at its disposal from existing financing commitments that have not been utilised as at the reporting date.

Cash flows from investing and financing activities are determined when payments are made. The cash flow from operating activities in contrast is indirectly derived from the Group's profit/loss.

The changes in liabilities arising out of finance leases during the financial year 2018 were as follows:

EUR m			Non-cash changes			
	Opening balance Balance sheet	Cash changes	Change in consolidation basis	Change in fair value	Accruals and deferrals	Closing balance Balance sheet
Financial liabilities	4,751.1	1,247.9	180.2	0.0	5.4	6,184.6
Convertible bonds	1,669.6	0.0	0.0	24.0	3.6	1,697.2
Corporate bonds	826.6	375.0	0.0	0.0	–1.2	1,200.4
Total	**7,247.3**	**1,622.9**	**180.2**	**24.0**	**7.8**	**9,082.2**

H Earnings per share

In order to calculate the basic earnings per share, the consolidated earnings are divided by the weighted number of shares outstanding in the financial year.

The diluted and undiluted earnings amount to:

EUR m	2018	2017
Group profit/loss to calculate undiluted earnings	1,833.0	1,717.9
Correction: Interest from convertible bonds (after taxes)	5.2	1.5
Correction: Valuation effect resulting from convertible bond (after taxes)	49.3	32.7
Adjusted Group profit/loss to calculate diluted earnings	**1,887.5**	**1,752.1**

The average number of issued shares (diluted and undiluted) amounts to:

thousand	2018	2017
Shares issued at start of period	354,666	337,480
Addition of issued shares in the relevant financial year	2,348	17,186
Shares issued at end of period	357,014	354,666
Average number of issued shares, undiluted	**355,704**	**352,121**
Number of diluting shares due to exercise of conversion rights and share option programme	32,581	17,770
Average number of issued shares, diluted	**388,285**	**369,890**

The earnings per share amount to:

EUR	2018	2017
Earnings per share		
Undiluted	5.15	4.88
Diluted	4.86	4.74

In 2018 a dividend was paid out for the financial year 2017 of EUR 283.7 million or EUR 0.80 per share. In addition, 2,241,061 new shares from the share dividend with an equivalent value of some EUR 88.9 million were issued for approximately 111.2 million dividend entitlements. A cash dividend of EUR 0.87 per share is planned for the financial year 2019. Based on the number of shares outstanding as at 31 December 2018 and assuming that no shareholders vote for a share dividend, this corresponds to a total dividend distribution of EUR 310.6 million.

I Other disclosures

1 Information on financial instruments

Financial risk management

The management of financial risks is an integral part of the risk management system and as such a tool for achieving the company's primary objective of ensuring the profitability of Deutsche Wohnen – which is mainly focussed on the management and development of its own residential holdings – on a sustained basis. Please see the risk and opportunity report in the Group Management Report for a detailed description of the overall risk management system.

The measures relating to financial risk management are described below:

The main financial instruments used by the Group – apart from derivative financial instruments – are bank loans, convertible bonds, a corporate bond, registered bonds, bearer bonds and cash and cash equivalents. The primary purpose of these financial instruments is to finance the Group's business activities. The Group has various other financial assets and liabilities, such as trade receivables and trade payables, which result directly from its business activities.

The Group also carries out derivative transactions in the form of interest rate swaps. The purpose of these derivative financial instruments is to manage interest rate risks that result from the Group's business activities and its sources of finance. There has been no trading of interest rate swaps, nor will there be any future trading in this area.

The table below shows the categorisation of financial instruments into the corresponding classes as per IFRS 7.6 and the allocation to measurement categories as defined in IFRS 9:

31/12/2018

EUR m	Valuation category in accordance with IFRS 9	Measured at amortized costs		Measured at fair value	Valuation in accordance with IAS 17/IAS 28	Total balance sheet items
		Carrying amount	Fair value	Carrying amount	Carrying amount	Carrying amount
Trade receivables	AC	22.4	22.4	0.0	0.0	22.4
Other assets						
Financial assets	FVOCI	1.8	n/a	0.0	0.0	1.8
Financial assets	n/a	–	n/a	–	72.8	72.8
Loans receivable	AC	4.2	4.2	0.0	0.0	4.2
Leasing receivables	n/a	0.0	0.0	0.0	32.9	32.9
Other financial assets	AC	26.2	0.0	0.0	0.0	26.2
Derivative financial instruments						
Interest rate hedges (no hedge accounting)	FVtPL	0.0	0.0	1.0	0.0	1.0
Cash flow hedges (interest rate swaps)	n/a	0.0	0.0	0.0	0.0	0.0
Cash and cash equivalents	AC	332.8	332.8	0.0	0.0	332.8
Total financial assets		**387.5**	**359.4**	**1.0**	**105.7**	**494.2**
Financial liabilities	AC	6,184.6	6,359.8	0.0	0.0	6,184.6
Convertible bonds	FVtPL	0.0	0.0	1,697.2	0.0	1,697.2
Corporate bond	AC	1,200.4	1,164.4	0.0	0.0	1,200.4
Trade payables	AC	302.4	302.4	0.0	0.0	302.4
Other liabilities						
Liabilities from finance leases	n/a	0.0	0.0	0.0	146.3	146.3
Other financial liabilities	AC	205.3	205.3	0.0	0.0	205.3
Derivative financial instruments						
Interest rate hedges (no hedge accounting)	FVtPL	0.0	0.0	9.6	0.0	9.6
Cash flow hedges (interest rate swaps)	n/a	0.0	0.0	6.0	0.0	6.0
Total financial liabilities		**7,892.6**	**8,031.8**	**1,712.8**	**146.3**	**9,751.8**

AC – Financial assets and financial liabilities valued at amortized costs (Amortized Cost)
FVtPL – Measured at fair value through profit and loss (Fair Value through Profit and Loss)
FVOCI – Measured at fair value through equity (Fair Value through Other Comprehensive Income)

The table below shows the categorisation of financial instruments into the corresponding classes and the allocation to measurement categories as defined in IAS 39 as at 31 December 2017:

31/12/2017

EUR m	Valuation category in accordance with IAS 39	Measured at amortized costs		Measured at fair value	Valuation in accord-ance with IAS 17/IAS 28	Total balance sheet items
		Carrying amount	Fair value	Carrying amount	Carrying amount	Carrying amount
Trade receivables	LaR	15.5	15.5	0.0	0.0	15.5
Other assets						
Financial assets	AfS	0.4	n/a	0.0	14.6	14.9
Loans receivable	LaR	4.2	n/a	0.0	0.0	4.2
Other financial assets	LaR	13.2	13.2	0.0	0.0	13.2
Derivative financial instruments	FAHfT	0.0	0.0	3.3	0.0	3.3
Cash and cash equivalents	LaR	363.7	363.7	0.0	0.0	363.7
Total financial assets		**396.9**	**392.3**	**3.3**	**14.6**	**414.8**
Financial liabilities	FLaC	4,751.1	4,892.8	0.0	0.0	4,751.1
Convertible bonds	FLHfT	0.0	0.0	1,669.6	0.0	1,669.6
Corporate bond	FLaC	826.7	833.3	0.0	0.0	826.7
Trade payables	FLaC	177.7	177.7	0.0	0.0	177.7
Other liabilities						
Liabilities from finance leases	n/a	0.0	0.0	0.0	65.6	65.6
Other financial liabilities	FLaC	196.2	196.2	0.0	0.0	196.2
Derivative financial instruments						
Interest rate hedges (no hedge accounting)	FLHfT	0.0	0.0	4.7	0.0	4.7
Cash flow hedges (interest rate swaps)	n/a	0.0	0.0	0.5	0.0	0.5
Total financial liabilities		**5,951.7**	**6,100.0**	**1,674.8**	**65.6**	**7,692.1**

AfS – Financial assets available for disposal (Available for Sale)
LaR – Loans and Receivables
FAHfT – Financial assets assessed at fair value and recognised in profit/loss (Financial Assets Held for Trade)
FLaC – Financial liabilities carried forward at amortized cost (Financial Liabilities at Cost)
FLHfT – Liabilities assessed at fair value and recognised in profit/loss (Financial Liabilities Held for Trade)

For the reconciliation of financial instruments from IAS 39 to IFRS 9 we refer to the comments in chapter 3: Application of IFRS in the financial year.

The determination of the fair value of the financial assets and liabilities for valuation purposes or for the purposes of disclosure in the explanatory Notes was undertaken in all cases – except that of liabilities arising in connection with put options of co-partners (Level 3) – on the basis of Level 2 of the fair value hierarchy.

The DCF valuation methodology was applied in the case of derivatives, using observable market parameters, in particular market interest rates. The fair value of the convertible and other bonds was calculated on the basis of the market listings for the securities. The amounts of the liabilities arising in connection with put options are commensurate with the discounted contractually stipulated purchase prices, which can be calculated on the basis of projectable cash flows.

The following table shows the contractual, non-discounted payments:

31/12/2018

EUR m	Carrying amount				Maturities
		2019	2020	2021	> 2022
Original financial liabilities					
Financial liabilities	6,184.6	140.5	232.0	237.8	6,343.4
Convertible bonds	1,697.2	7.4	7.4	7.4	1,631.8
Corporate bond	1,200.4	79.2	519.3	12.5	768.4
Trade payables	302.4	302.4	0.0	0.0	0.0
Other liabilities					
Liabilities from finance lease	146.3	15.5	15.3	14.4	177.8
Other financial liabilities	205.3	41.8	0.0	24.0	139.4
Derivative financial liabilities	**15.6**	**8.6**	**7.7**	**5.4**	**–6.0**
Total	**9,751.8**	**595.3**	**781.8**	**301.5**	**9,054.9**

31/12/2017

EUR m	Carrying amount				Maturities
		2018	2019	2020	> 2021
Original financial liabilities					
Financial liabilities	4,751.1	111.3	115.3	320.4	4,934.7
Convertible bonds	1,669.6	3.8	7.4	7.4	1,639.2
Corporate bond	826.7	12.6	12.6	512.6	380.5
Trade payables	177.7	177.7	0.0	0.0	0.0
Other liabilities					
Liabilities from finance lease	65.6	9.8	9.6	9.4	42.6
Other financial liabilities	196.2	35.0	0.0	0.0	161.2
Derivative financial liabilities	**5.2**	**4.1**	**2.0**	**0.1**	**–7.6**
Total	**7,692.1**	**354.2**	**146.9**	**849.9**	**7,150.5**

The profits and losses from financial assets and liabilities are as follows:

31/12/2018

EUR m	Valuation category in accordance with IFRS 9	From interests	From dividends	From subsequent valuations			From disposals	From other comprehensive income components	Net earnings
				At fair value	Impairment	Appreciation in value			
Financial assets and financial liabilities valued at amortized costs	AC	–111.0	0.0	0.0	–1.4	1.3	–1.4	–0.7	–113.3
Measured at fair value through profit and loss	FVtPL	–11.5	0.0	–78.0	0.0	0.0	0.0	0.0	–89.5
Measured at fair value through equity	FVOCI	0.0	0.0	39.8	0.0	0.0	0.4	0.0	40.1
Total		**–122.5**	**0.0**	**–38.2**	**–1.4**	**1.3**	**–1.0**	**–0.7**	**–162.6**

31/12/2017

EUR m	Valuation category in accordance with IAS 39	From interests	From dividends	From subsequent valuations			From disposals	From other comprehensive income components	Net earnings
				At fair value	Impairment	Appreciation in value			
Financial assets available for disposal	AfS	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.1
Loans and receivables	LaR	0.4	0.0	0.0	–1.3	2.1	–2.7	0.1	–1.4
Financial liabilities valued at amortized costs	FLaC	–117.0	0.0	0.0	0.0	0.0	0.4	–1.3	–117.9
Financial receivables and liabilities valued at fair value through profit and loss (held for trading)	FAHfT/ FLHfT	–12.5	0.0	–226.1	0.0	0.0	0.0	0.0	–238.6
Total		**–129.2**	**0.1**	**–226.1**	**–1.3**	**2.1**	**–2.3**	**–1.2**	**–357.8**

AC – Financial assets and financial liabilities valued at amortized costs (Amortized Cost)
AfS – Financial assets available for disposal (Available for Sale)
FVtPL – Measured at fair value through profit and loss (Fair Value through Profit and Loss)
FVOCI – Measured at fair value through equity (Fair Value through Other Comprehensive Income)
LaR – Loans and Receivables
FAHfT – Financial assets assessed at fair value and recognised in profit/loss (Financial Assets Held for Trade)
FLaC – Financial liabilities carried forward at amortized cost (Financial Liabilities at Cost)
FLHfT – Liabilities assessed at fair value and recognised in profit/loss (Financial Liabilities Held for Trade)

Changes in the fair value of convertible bonds resulting from counterparty risk are recognised in other comprehensive income.

The significant risks to the Group arising from financial instruments comprise interest-related cash flow risks, liquidity risks, default risks and market risks. Company management prepares and reviews risk management guidelines for each of these risks, as outlined below:

Default risk

Default risks, or the risk that a partner will not be able to meet its obligations, are managed by using exposure limits and control processes. If appropriate, the company obtains collateral. There is no significant concentration of default risk at Deutsche Wohnen, either for a single counterparty or for a group of counterparties with similar characteristics. The maximum default risk is the carrying amount of the financial assets as reported in the balance sheet.

Liquidity risk

The Group reviews the risk of liquidity shortfalls daily by using a liquidity planning tool. This tool takes into account the inflows and outflows of cash from the operating activities and payments relating to financial liabilities.

Deutsche Wohnen seeks to ensure that sufficient liquidity is available to meet future obligations at all times. Deutsche Wohnen currently has a debt capital ratio of approx. 52% (previous year: 50%) and a Loan-to-Value ratio of 36.0% (previous year: 34.5%).

Interest-related cash flow risks

The interest rate risk to which the Group is exposed is mainly derived from non-current financial liabilities with floating interest rates.

The Group's interest expenses are managed by a combination of fixed-interest and floating-rate debt. In order to make this combination cost-efficient, the Group concludes interest rate swaps at specified intervals in which it exchanges the difference between the fixed-interest and floating-rate amounts as determined on the basis of an agreed nominal value with the contractual partner. These interest rate swaps hedge the underlying debt. Accordingly, interest rate risk only exists for floating-rate financial liabilities that are not hedged by interest rate swaps. Applied to these financial liabilities, an increase/reduction of 0.5% in the interest rate on the balance sheet date would have resulted in an increase/a reduction in the interest expenses of EUR 5.1 million/EUR –3.4 million (previous year: EUR 4.0 million/EUR –3.0 million). Applied to the derivative financial instruments, an increase/reduction of 0.5% in the interest rate on the balance sheet date would have resulted in an increase/a reduction in the interest expenses of EUR 19.7 million/EUR –17.7 million (previous year: EUR 20.5 million/EUR –21.6 million). Applied to the other income, an interest adjustment in the same amount would have resulted in an increase/a reduction of EUR 10.4 million/EUR –13.8 million (previous year: EUR 1.0 million/EUR –0.8 million).

Market risks

The financial instruments of Deutsche Wohnen that are not reported at fair value are primarily cash and cash equivalents, trade receivables, other current assets, financial liabilities, trade payables and other liabilities.

The carrying amount of cash and cash equivalents is very close to their fair value due to the short-term nature of these financial instruments. For receivables and liabilities which are based on usual trade credit conditions, the carrying amount based on the historical cost is also very close to the fair value.

Fair value risks can arise in connection with fixed-interest and interest-hedged loans where the market interest rate falls below the interest rate for the loans entered into by the Group. In such cases, Deutsche Wohnen will usually initiate negotiations with the banks in question and make adjustments and enter into refinancing arrangements in the interests of avoiding the implications of unfavourable interest rates.

Netting of financial assets and financial liabilities

Financial assets and liabilities will only be netted pursuant to global netting agreements where an enforceable legal offset right exists on the balance sheet date and settlement on a net basis is planned. Where a claim for netting is not enforceable in the ordinary course of business, the global netting agreement will only give rise to a conditional offset right. In this case, the financial assets and liabilities will be reported on the balance sheet in their gross amounts on the balance sheet date.

Deutsche Wohnen enters into financial futures transactions as a means of hedging against cash flow risks. These derivatives are based on standard netting agreements concluded with banks, pursuant to which a conditional offset right may arise which could result in the futures transactions being reported at their gross amounts on the balance sheet date.

Claims arising out of operating costs which have not yet been accounted for in the amount of EUR 334.1 million (previous year: EUR 319.8 million) were offset against instalments on advance payments of operating costs in the amount of EUR 357.0 million (previous year: EUR 346.3 million) on the balance sheet for the financial year 2018. There were no conditional rights to offset derivatives against liabilities from derivatives.

2 Capital management

The primary aim of the Group's capital management is to ensure that it maintains a high credit rating and a good equity ratio to support its business activities and to maximise shareholder value.

Management of the capital structure takes into account liabilities to banks and other creditors, and cash and cash equivalents.

The key figures for capital management are:

- The equity/debt ratio and the leverage ratio
  The Group aims to achieve an equity ratio of 40%. Future investments will therefore be made partly on the basis of balanced financing. The equity ratio amounted to 48% as at the reporting date (previous year: 50%).

- Loan-to-Value ratio
  The ratio of financial liabilities to the value of the investment properties is defined as the Loan-to-Value ratio.

EUR m	31/12/2018	31/12/2017
Financial liabilities	6,184.6	4,751.1
Convertible bonds	1,697.2	1,669.6
Corporate bonds	1,200.4	826.6
	9,082.2	**7,247.3**
Cash and cash equivalents	–332.8	–363.7
Net financial liabilities	**8,749.4**	**6,883.6**
Investment properties	23,781.7	19,628.4
Non-current assets held for sale	33.0	28.7
Land and buildings held for sale	477.1	295.8
	24,291.8	**19,952.9**
Loan-to-Value ratio in %	**36.0**	**34.5**

3 Hedging

As at 31 December 2018 and 31 December 2017, there were various interest hedges in place in relation to hedging transactions undertaken in accordance with IFRS 9 or IAS 39 in the previous year, through which variable interest rates can be exchanged for fixed interest rates. The non-effective part thereof – any change in the value of which is reported in the consolidated profit and loss statement – is negligible (previous year: negligible).

The reversal of the hedging reserve recognised directly in equity resulted in expenses of EUR 1.7 million (previous year: EUR 24.2 million) which were reported in the consolidated profit and loss statement.

4 Events after the balance sheet date

In the course of a successive acquisition the Group acquired the remaining 55% interest in PUW OpCo GmbH, Hamburg, on 2 January 2019. We refer to the comments in B.1 Basis of consolidation.

In March 2019, the Deutsche Wohnen Group acquired a real estate portfolio consisting of around 2,850 residential and 100 commercial units for a purchase price of EUR 685 million. The transfer of benefits and burdens is expected to be completed until the third quarter of 2019. The average rent is around EUR 10.50 per sqm. The portfolio is located in the metropolitan regions of Dusseldorf, Cologne and Rhine-Main, in particular Frankfurt am Main.

We are not aware of any other material events after the reporting date.

5 Commitments and contingencies

Land leases result in annual financial commitments of EUR 2.2 million (previous year: EUR 2.5 million).

Other financial commitments relating to agency agreements for IT services total EUR 12.2 million (previous year: EUR 8.2 million).

Other financial commitments totalling EUR 10.5 million (previous year: EUR 8.6 million) relate to other service contracts.

In addition, there are current obligations of EUR 522.40 million (previous year: EUR 144.4 million) resulting from the acquisition of a number of property portfolios, and current obligations of EUR 66.9 million for company acquisitions. The purchase commitment and the investment obligations result in financial commitments of EUR 196.7 million (previous year: 120.5 million) and EUR 394.7 million (previous year: EUR 408.1 million), respectively.

One Group company (Rhein-Pfalz Wohnen GmbH) has been certified as a refurbishment and development agency (sections 158 and 167 of the German Federal Building Code [Baugesetzbuch – BauGB]. Rhein-Pfalz Wohnen GmbH performs the duties incumbent upon it as the trustee of the local authorities.

In the GSW subgroup there are charges in the land register for building obligations totalling EUR 10.6 million (previous year: EUR 10.6 million).

6 Obligations under leases

Operating lease agreements give rise to payments of EUR 5.3 million (previous year: EUR 2.0 million) for a period of up to one year, of EUR 16.2 million (previous year: EUR 4.2 million) for a period of one to five years and of EUR 11.3 million (previous year: EUR 1.8 million) for a period of more than five years. The increase in obligations is primarily due to new leases, especially for commercial properties, heat contracting and measurement services, as well as to revised estimates concerning the renewal and termination options in existing leases.

7 Auditor's services

The auditor of Deutsche Wohnen SE and the Group is KPMG AG Wirtschaftsprüfungsgesellschaft. The following expenses (net) were incurred in the year under review:

EUR k	31/12/2018	31/12/2017
Audit services	1,111	1,011
Other certification services	72	74
Other services	10	0
	1,193	**1,085**

8 Related party disclosures

Companies and persons who have the possibility of controlling or exercising a significant influence on the financial and business policies of the Deutsche Wohnen Group are considered to be related parties. Existing control relationships were taken into account in determining the extent of the significant influence that the Deutsche Wohnen Group's related parties (individuals and companies) have on its financial and business policies.

Related companies

The affiliated companies, jointly controlled entities and affiliated companies included in the consolidated financial statements are to be considered related companies.

Transactions with related companies

Service and cash management agreements exist within the Group. Services between the companies are eliminated on consolidation.

Related parties

The following persons are to be considered related parties:

Name	Occupation	Memberships of supervisory boards and other supervisory bodies within the meaning of section 125 para. 1, sentence 5, German Stock Corporation Act (Aktiengesellschaft – AktG)
Michael Zahn Chairman of the Management Board (Chief Executive Officer, CEO)	Economist	GSW Immobilien AG, Berlin (Chairman of the Supervisory Board until 26/06/2018) TLG IMMOBILIEN AG, Berlin (Chairman of the Supervisory Board) WCM Beteiligungs- und Grundbesitz-AG, Frankfurt/Main (Chairman of the Supervisory Board until 08/02/2018) Scout24 AG, Munich (Member of the Supervisory Board) G+D Gesellschaft für Energiemanagement GmbH, Magdeburg (Chairman of the Advisory Board) Funk Schadensmanagement GmbH, Berlin (Chairman of the Advisory Board) DZ Bank AG, Frankfurt/Main (Member of the Advisory Board) Füchse Berlin Handball GmbH, Berlin (Member of the Advisory Board) GETEC Wärme & Effizienz GmbH, Magdeburg (Member of the Real Estate Advisory Board)
Lars Wittan Deputy Chairman of the Management Board (Chief Operating Officer, COO)	Degree in business administration (Dipl.-Betriebswirt)	Eisenbahn-Siedlungs-Gesellschaft Berlin mbH, Berlin (Chairman of the Supervisory Board)
Philip Grosse Member of the Management Board (Chief Financial Officer, CFO)	Degree in business management (Dipl.-Kaufmann)	GSW Immobilien AG, Berlin (Chairman of the Supervisory Board since 26/06/2018) GEHAG GmbH, Berlin (Deputy Chairman of the Supervisory Board)

Members of the Supervisory Board of Deutsche Wohnen SE

The Supervisory Board is composed of the following members:

Name	Occupation	Memberships of supervisory boards and other supervisory bodies within the meaning of section 125 para. 1, sentence 5, German Stock Corporation Act (Aktiengesellschaft – AktG)
Matthias Hünlein Chairman (Chairman since 15/06/2018)	Managing Director Tishman Speyer Properties Deutschland GmbH, Frankfurt/Main	• Tishman Speyer Investment Management GmbH, Frankfurt/Main (Deputy Chairman of the Supervisory Board since 08/08/2018)
Dr Andreas Kretschmer Deputy Chairman	Management consultant, Dusseldorf	• BIOCEUTICALS Arzneimittel AG, Bad Vilbel (Chairman of the Supervisory Board until 21/06/2018) • Amprion GmbH, Dortmund (Deputy Chairman of the Supervisory Board until 31/05/2018)
Jürgen Fenk	Managing Director and member of the Group Executive Board of Signa Holding GmbH, Vienna, Austria	• SIGNA Development Selection AG, Innsbruck, Austria (Member of the Supervisory Board since 15/02/2018)
Tina Kleingarn (Since 15/06/2018)	Partner of Westend Corporate Finance, Frankfurt/Main	• None
Dr Florian Stetter	CEO Rockhedge Asset Management AG, Krefeld	• C&P Immobilien AG, Graz, Austria (Member of the Supervisory Board) • CalCon Deutschland AG, Munich (Member of the Supervisory Board) • Noratis AG, Eschborn (Member of the Supervisory Board since 05/11/2018) • Historie & Wert Aktiengesellschaft, Wuppertal (Chairman of the Supervisory Board since 17/08/2018)
Claus Wisser	Managing Director of Claus Wisser Vermögensverwaltungs GmbH, Frankfurt/Main	• AVECO Holding AG, Frankfurt/Main (Member of the Supervisory Board)
Uwe E. Flach (Chairman until 15/06/2018)	Management consultant, Frankfurt/Main	• None

Transactions with related parties

No transactions were entered into with related parties in financial year 2018.

9 Remuneration of the Management Board and Supervisory Board

The remuneration paid to the members of the Management Board and the Supervisory Board in accordance with their service contracts was as follows:

EUR m	2018	2017
Payments made to members of the Management Board		
Non-performance-based remuneration	2.0	1.8
Performance-based remuneration	2.4	2.4
Total	**4.4**	**4.2**
Payments made to members of the Supervisory Board		
Fixed remuneration components	0.8	0.7
Total	**0.8**	**0.7**

The non-performance-based components of the remuneration paid to members of the Management Board comprise a fixed amount of remuneration and supplementary payments for company cars. The non-performance-based components comprise both short-term incentives, on a short-term due and long-term due basis, and long-term incentives comprising, since 2014, remuneration payments made out of the share option programme.

The members of the Supervisory Board receive a fixed amount of remuneration only.

There are no pension provisions for current or retired members of the Management Board or Supervisory Board.

With regard to all other matters, we refer to the remuneration report contained in the combined management report.

10 Corporate Governance

The Management Boards and the Supervisory Boards of Deutsche Wohnen SE and GSW Immobilien AG have issued a declaration of conformity with the German Corporate Governance Code in accordance with section 161 of the German Stock Corporation Act (Aktiengesetz – AktG) and made it permanently available to the shareholders online at www.deutsche-wohnen.com and www.gsw.de.

Berlin, 18 March 2019

Michael Zahn Chairman of the Management Board	Lars Wittan Deputy Chairman of the Management Board	Philip Grosse Management Board

Appendix 1 to the Notes to the consolidated financial statements

SHAREHOLDINGS[3]

as at 31 December 2018

Company and registered office	Share of capital	Equity EUR k	Profit/loss EUR k	Reporting date
Subsidiaries, fully consolidated				
AGG Auguste-Viktoria-Allee Grundstücks GmbH, Berlin	100.00[1]	25.0	0.0	2018
Algarobo Holding B.V., Baarn, Netherlands	100.00	14,614.7	–158.3	2018
Alpha Asset Invest GmbH & Co. KG, Berlin	70.00[2]	278.3	–591.8	2018
Amber Dritte VV GmbH, Berlin	94.90[1]	–7,316.8	–150.7	2018
Amber Erste VV GmbH, Berlin	94.90[1]	–11,050.4	–629.6	2018
Amber Zweite VV GmbH, Berlin	94.90[1]	–12,113.5	–492.2	2018
Aragon 13. VV GmbH, Berlin	94.90[1]	–6,840.7	–837.7	2018
Aragon 14. VV GmbH, Berlin	94.90[1]	–11,323.7	–1,512.4	2018
Aragon 15. VV GmbH, Berlin	94.90[1]	–6,628.6	–677.8	2018
Aragon 16. VV GmbH, Berlin	94.90[1]	–9,637.6	–1,263.7	2018
Aufbau-Gesellschaft der GEHAG mit beschränkter Haftung, Berlin	100.00	7,962.6	541.4	2018
BauBeCon Assets GmbH, Berlin	100.00[1]	46,233.4	0.0	2018
BauBeCon BIO GmbH, Berlin	100.00[1]	8,626.5	0.0	2018
BauBeCon Immobilien GmbH, Berlin	100.00[1]	453,088.5	21,864.5	2018
BauBeCon Wohnwert GmbH, Berlin	100.00[1]	26,710.2	0.0	2018
Beragon VV GmbH, Berlin	94.90[1]	–10,955.1	–1,025.1	2018
C. A. & Co. Catering KG, Wolkenstein	100.00	33.1	43.5	2018
Ceragon VV GmbH, Berlin	94.90[1]	–8,088.3	–415.4	2018
Communication Concept Gesellschaft für Kommunikationstechnik mbH, Leipzig	100.00	3,671.5	2,449.7	2017
DELTA VIVUM Berlin I GmbH, Berlin (formerly: BOW 2 GmbH, Pfarrkirchen)	94.90[1]	9,302.8	–598.3	2018
DELTA VIVUM Berlin II GmbH, Berlin (formerly: BOW 3 GmbH, Pfarrkirchen)	94.90[1]	–2,122.2	–1,663.3	2018
Deutsche Wohnen Asset Immobilien GmbH, Frankfurt/Main	100.00[1]	25.0	0.0	2018
Deutsche Wohnen Berlin 5 GmbH, Berlin	94.90[1]	3,415.6	0.0	2018
Deutsche Wohnen Berlin 6 GmbH, Berlin	94.90[1]	506.9	0.0	2018
Deutsche Wohnen Berlin 7 GmbH, Berlin	94.90[1]	2,738.0	1,694.7	2018
Deutsche Wohnen Berlin I GmbH, Berlin	94.00[1]	1,488.1	0.0	2018
Deutsche Wohnen Berlin II GmbH, Berlin	94.90[1]	4,809.5	0.0	2018
Deutsche Wohnen Berlin III GmbH, Berlin	94.90[1]	24,705.1	0.0	2018
Deutsche Wohnen Berlin X GmbH, Berlin	94.80[1]	7,691.7	0.0	2018
Deutsche Wohnen Berlin XI GmbH, Berlin	94.80[1]	7,504.6	0.0	2018
Deutsche Wohnen Berlin XII GmbH, Berlin	94.80[1]	1,761.1	0.0	2018
Deutsche Wohnen Berlin XIII GmbH, Berlin	94.80[1]	6,858.4	0.0	2018
Deutsche Wohnen Berlin XIV GmbH, Berlin	94.80[1]	10,666.3	0.0	2018
Deutsche Wohnen Berlin XV GmbH, Berlin	94.80[1]	12,102.0	0.0	2018
Deutsche Wohnen Berlin XVI GmbH, Berlin	94.80[1]	6,596.9	0.0	2018

1 Waiver according to section 264 para. 3 of the German Commercial Code [Handelsgesetzbuch – HGB] due to inclusion in these consolidated financial statements
2 Waiver according to section 264b of the German Commercial Code [Handelsgesetzbuch – HGB] due to inclusion in these consolidated financial statements
3 In addition, there is an indirect participation in a joint venture.

Company and registered office	Share of capital	Equity EUR k	Profit/loss EUR k	Reporting date
Deutsche Wohnen Berlin XVII GmbH, Berlin	94.80[1]	5,914.2	0.0	2018
Deutsche Wohnen Berlin XVIII GmbH, Berlin	94.80[1]	3,256.7	0.0	2018
Deutsche Wohnen Beschaffung und Beteiligung GmbH, Berlin	100.00[1]	25.0	0.0	2018
Deutsche Wohnen Beteiligungen Immobilien GmbH, Frankfurt/Main	100.00[1]	1,025.0	0.0	2018
Deutsche Wohnen Beteiligungsverwaltungs GmbH & Co. KG, Berlin	100.00[2]	–16.3	–35.7	2018
Deutsche Wohnen Construction and Facilities GmbH, Berlin	100.00[1]	275.0	0.0	2018
Deutsche Wohnen Corporate Real Estate GmbH, Berlin	100.00[1]	25.0	0.0	2018
Deutsche Wohnen Direkt Immobilien GmbH, Frankfurt/Main	100.00	1,956,676.4	–685.9	2018
Deutsche Wohnen Dresden I GmbH, Berlin	100.00[1]	5,087.3	0.0	2018
Deutsche Wohnen Dresden II GmbH, Berlin	100.00[1]	3,762.4	0.0	2018
Deutsche Wohnen Fondsbeteiligungs GmbH, Berlin	100.00[1]	17,825.0	0.0	2018
Deutsche Wohnen Immobilien Management GmbH, Berlin	100.00[1]	1,610.0	0.0	2018
Deutsche Wohnen Kiel GmbH, Berlin	94.90[1]	28,682.0	0.0	2018
Deutsche Wohnen Kundenservice GmbH, Berlin	100.00[1]	25.7	0.0	2018
Deutsche Wohnen Management GmbH, Berlin	100.00[1]	325.0	0.0	2018
Deutsche Wohnen Management- und Servicegesellschaft mbH, Frankfurt/Main	100.00[1]	325.6	0.0	2018
Deutsche Wohnen Multimedia Netz GmbH, Berlin	100.00[1]	638.0	0.0	2018
Deutsche Wohnen Reisholz GmbH, Berlin	100.00[1]	3,563.5	0.0	2018
Deutsche Wohnen Service Center GmbH, Berlin	100.00[1]	500.3	96.4	2018
Deutsche Wohnen Service Merseburg GmbH, Merseburg	100.00	328.5	–181.9	2018
Deutsche Wohnen Zweite Fondsbeteiligungs GmbH, Berlin	100.00[1]	64,025.2	0.0	2018
DW Pflegeheim Dresden Grundstücks GmbH, Munich (formerly: SHI Pflegeheim Dresden Grundstücks GmbH, Munich)	100.00	3,065.4	109.9	2018
DW Pflegeheim Eschweiler Grundstücks GmbH, Munich (formerly: SHI Pflegeheim Eschweiler Grundstücks GmbH, Munich)	100.00	4,338.5	78.6	2018
DW Pflegeheim Frankfurt am Main Grundstücks GmbH, Munich (formerly: SHI Pflegeheim Frankfurt/Main Grundstücks GmbH, Munich)	100.00	5,807.5	257.9	2018
DW Pflegeheim Friesenheim Grundstücks GmbH, Munich (formerly: SHI Pflegeheim Friesenheim Grundstücks GmbH, Munich)	100.00	2,559.7	82.2	2018
DW Pflegeheim Glienicke Grundstücks GmbH, Munich (formerly: SHI Pflegeheim Glienicke Grundstücks GmbH, Munich)	100.00	4,491.5	56.9	2018
DW Pflegeheim Konz Grundstücks GmbH, Munich (formerly: SHI Pflegeheime Konz Grundstücks GmbH, Munich)	100.00	9,965.5	379.6	2018
DW Pflegeheim Meckenheim Grundstücks GmbH, Munich (formerly: SHI Pflegeheim Meckenheim Grundstücks GmbH, Munich)	100.00	3,432.4	81.8	2018

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2 Waiver according to section 264b of the German Commercial Code [Handelsgesetzbuch – HGB] due to inclusion in these consolidated financial statements

Company and registered office	Share of capital	Equity EUR k	Profit/loss EUR k	Reporting date
DW Pflegeheim Potsdam Grundstücks GmbH, Munich (formerly: SHI Pflegeheim Potsdam Grundstücks GmbH, Munich)	100.00	2,574.7	–78.8	2018
DW Pflegeheim Siegen Grundstücks GmbH, Munich (formerly: SHI Pflegeheim Siegen Grundstücks GmbH, Munich)	100.00	2,787.9	79.3	2018
DW Pflegeheim Weiden Grundstücks GmbH, Munich (formerly: SHI Pflegeheim Weiden Grundstücks GmbH, Munich)	100.00	4,349.1	161.3	2018
DW Pflegeheim Würselen Grundstücks GmbH, Munich (formerly: SHI Pflegeheim Würselen Grundstücks GmbH, Munich)	100.00	3,715.7	135.2	2018
DW Pflegeresidenzen Grundstücks GmbH, Munich (formerly: SHI Pflegeresidenzen Grundstücks GmbH, Munich)	100.00	27,882.6	–43.2	2018
DWRE Alpha GmbH, Berlin	100.00[1]	343.8	0.0	2018
DWRE Braunschweig GmbH, Berlin	100.00[1]	16,325.2	0.0	2018
DWRE Dresden GmbH, Berlin	100.00[1]	25.0	0.0	2018
DWRE Erfurt GmbH, Berlin	100.00[1]	880.2	0.0	2018
DWRE Halle GmbH, Berlin	100.00[1]	25.0	0.0	2018
DWRE Hennigsdorf GmbH, Berlin	100.00[1]	1,085.3	0.0	2018
DWRE Leipzig GmbH, Berlin	100.00[1]	25.0	0.0	2018
Eisenbahn-Siedlungs-Gesellschaft Berlin mit beschränkter Haftung, Berlin	94.90	11,889.8	0.0	2018
EMD Energie Management Deutschland GmbH, Berlin	100.00[1]	30,022.8	0.0	2018
Eragon VV GmbH, Berlin	94.90[1]	–9,170.2	–328.5	2018
FACILITA Berlin GmbH, Berlin	100.00	4,979.1	649.4	2018
Faragon V V GmbH, Berlin	94.90[1]	–7,620.7	–719.6	2018
Fortimo GmbH, Berlin	100.00[1]	6,127.2	0.0	2018
Gehag Acquisition Co. GmbH, Berlin	100.00	1,543,116.7	2,372.6	2018
GEHAG Beteiligungs GmbH & Co. KG, Berlin	100.00[2]	21,912.1	2,319.9	2018
GEHAG Dritte Beteiligungs GmbH, Berlin	100.00[1]	378.8	0.0	2018
GEHAG Erste Beteiligungs GmbH, Berlin	100.00[1]	45.0	0.0	2018
GEHAG Erwerbs GmbH & Co. KG, Berlin	99.99[2]	45,904.8	1,130.2	2018
GEHAG GmbH, Berlin	100.00	2,131,025.0	154,587.7	2018
GEHAG Grundbesitz I GmbH, Berlin	100.00[1]	26.0	0.0	2018
GEHAG Grundbesitz II GmbH, Berlin	100.00[1]	25.0	0.0	2018
GEHAG Grundbesitz III GmbH, Berlin	100.00[1]	25.0	0.0	2018
GEHAG Vierte Beteiligung SE, Berlin	100.00[1]	20,220.5	0.0	2018
GEHAG Zweite Beteiligungs GmbH, Berlin	100.00[1]	16,625.0	–347.1	2018
Geragon VV GmbH, Berlin	94.90[1]	–8,494.6	–799.7	2018
GETEC media GmbH, Magdeburg	100.00	2,904.3	1,211.8	2017
GETEC media Harz GmbH, Magdeburg	100.00	25.0	0.0	2017
GGR Wohnparks Alte Hellersdorfer Straße GmbH, Berlin	100.00[1]	7,721.1	775.1	2018
GGR Wohnparks Kastanienallee GmbH, Berlin	100.00[1]	33,879.1	652.6	2018
GGR Wohnparks Nord Leipziger Tor GmbH, Berlin	100.00[1]	6,680.3	0.0	2018
GGR Wohnparks Süd Leipziger Tor GmbH, Berlin	100.00[1]	3,390.2	0.0	2018
Grundstücksgesellschaft Karower Damm mbH, Berlin	100.00[1]	1,099.3	0.0	2018

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2 Waiver according to section 264b of the German Commercial Code [Handelsgesetzbuch – HGB] due to inclusion in these consolidated financial statements

Company and registered office	Share of capital	Equity EUR k	Profit/loss EUR k	Reporting date
GSW Acquisition 3 GmbH, Berlin	100.00[1]	78,368.1	0.0	2018
GSW Corona GmbH, Berlin	100.00[1]	3,777.3	0.0	2018
GSW-Fonds Weinmeisterhornweg 170-178 GbR, Berlin	54.86	–5,572.4	148.2	2018
GSW Gesellschaft für Stadterneuerung mbH, Berlin	100.00	1,322.4	323.5	2018
GSW Grundvermögens- und Vertriebsgesellschaft mbH, Berlin	100.00[1]	90,255.7	0.0	2018
GSW Immobilien AG, Berlin	93.90	1,167,383.4	–29,634.8	2018
GSW Immobilien GmbH & Co. Leonberger Ring KG, Berlin	94.00[2]	433.0	24.3	2018
GSW Pegasus GmbH, Berlin	100.00[1]	24,009.6	8,043.3	2018
GSW Verwaltungs- und Betriebsgesellschaft mbH & Co. Zweite Beteiligungs KG, Berlin	93.44[2]	–9,672.8	119.7	2018
Hamburger Ambulante Pflege- und Physiotherapie "HAPP" GmbH, Hamburg	100.00	–342.7	–280.2	2018
Hamburger Senioren Domizile GmbH, Hamburg	100.00	2,008.2	1,006.2	2018
Hamnes Investments GmbH, Berlin	100.00[1]	11,602.5	960.3	2018
Haragon VV GmbH, Berlin	94.90[1]	–6,006.7	–521.8	2018
Haus und Heim Wohnungsbau-GmbH, Berlin	100.00[1]	2,798.7	0.0	2018
Helvetica Services GmbH, Berlin	100.00[1]	669.8	0.0	2018
HESIONE Vermögensverwaltungsgesellschaft mbH, Frankfurt am Main	100.00	143.2	43.5	2018
Holzmindener Straße/Tempelhofer Weg Grundstücks GmbH, Berlin	100.00[1]	25.0	0.0	2018
HSI Hamburger Senioren Immobilien GmbH & Co. KG, Hamburg	100.00[2]	7,076.0	1,364.6	2018
HSI Hamburger Senioren Immobilien Management GmbH, Hamburg (formerly: HSI Hamburger Senioren Immobilien Management GmbH, Berlin; formerly: Gartenstadt Potsdam GmbH, Potsdam)	100.00	2,331.0	–25.4	2018
Iragon VV GmbH, Berlin	94.90[1]	–6,765.3	–599.5	2018
Karagon VV GmbH, Berlin	94.90[1]	–5,766.2	–526.2	2018
KATHARINENHOF Seniorenwohn- und Pflegeanlage Betriebs-GmbH, Berlin	49.00	6,532.9	4,582.9	2018
KATHARINENHOF Service GmbH, Berlin	100.00	25.0	0.0	2018
Laragon VV GmbH, Berlin	94.90[1]	–10,089.9	–526.0	2018
Larry I Targetco (Berlin) GmbH, Berlin	100.00[1]	193,057.2	0.0	2018
Larry II Targetco (Berlin) GmbH, Berlin	100.00[1]	520,878.6	0.0	2018
LebensWerk GmbH, Berlin	100.00	457.1	0.0	2018
Long Islands Investments S.A., Luxembourg	100.00	996.9	–567.2	2018
Main-Taunus Wohnen GmbH & Co. KG, Eschborn	99.99[2]	9,274.8	4,928.7	2018
Maragon VV GmbH, Berlin	94.90[1]	–2,528.3	–825.7	2018
Omega Asset Invest GmbH, Berlin	50.00	12.9	–22.1	2018
PUW AcquiCo GmbH, Hamburg	100.00	52,702.0	–2,607.0	2018
PUW PFLEGENUNDWOHNEN Beteiligungs GmbH, Hamburg	100.00	59,500.8	1,307.3	2018
Rhein-Main Wohnen GmbH, Frankfurt/Main	100.00[1]	1,777,545.0	27,428.4	2018
Rhein-Mosel Wohnen GmbH, Mainz	100.00[1]	929,287.3	4,795.5	2018
Rhein-Pfalz Wohnen GmbH, Mainz	100.00[1]	1,380,732.6	585.2	2018
RMW Projekt GmbH, Frankfurt/Main	100.00[1]	16,238.3	0.0	2018

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Company and registered office	Share of capital	Equity EUR k	Profit/loss EUR k	Reporting date
RPW Immobilien GmbH & Co. KG, Berlin (formerly: DB Immobilienfonds 14 Rhein-Pfalz Wohnen GmbH & Co. KG, Eschborn)	93.96	31,671.2	701.2	2018
Seniorenresidenz "Am Lunapark" GmbH, Leipzig	100.00	102.3	0.0	2018
SGG Scharnweberstraße Grundstücks GmbH, Berlin	100.00[1]	25.0	0.0	2018
Sophienstraße Aachen Vermögensverwaltungs-gesellschaft mbH, Berlin	100.00[1]	2,193.0	0.0	2018
Stadtentwicklungsgesellschaft Buch mbH, Berlin	100.00	2,690.0	–75.5	2018
TELE AG, Leipzig	100.00	1,212.5	992.5	2017
WIK Wohnen in Krampnitz GmbH, Berlin	100.00[1]	2,263.5	0.0	2018
Wohn- und Pflegewelt Lahnblick GmbH, Bad Ems	100.00	367.2	93.3	2018
Wohnanlage Leonberger Ring GmbH, Berlin	100.00[1]	850.9	0.0	2018
Zisa Grundstücksbeteiligungs GmbH & Co. KG, Berlin	94.90[2]	–31.0	27.6	2018
Zisa Verwaltungs GmbH, Berlin	100.00	114.6	–20.9	2018
Zweite GSW Verwaltungs- und Betriebsgesellschaft mbH, Berlin	100.00	115.9	–20.4	2018
Joint ventures, consolidated at equity				
B&O Service Berlin GmbH, Berlin	24.94	3,483.2	0.0	30/06/2018
Deutsche KIWI.KI GmbH, Berlin	49.00	518.0	–7.0	2017
Dr. Clauß & Sohn GmbH, Halle	49.00	263.1	153.8	2017
Funk Schadensmanagement GmbH, Berlin	49.00	102.3	2.3	2017
G+D Gesellschaft für Energiemanagement mbH, Magdeburg	49.00	12,301.0	2,794.0	2017
GSZ Gebäudeservice und Sicherheitszentrale GmbH, Berlin	33.33	358.3	113.5	2017
Siwoge 1992 Siedlungsplanung und Wohnbauten Gesellschaft mbH, Berlin	50.00	7,812.8	2,847.3	2017
Telekabel Riesa GmbH, Riesa	26.00	–170.8	63.7	2016
Associated companies, consolidated at equity				
Comgy GmbH, Berlin	17.79	n/a	n/a	n/a
KIWI.KI GmbH, Berlin	10.93	1,843.6	–2,512.1	2017
PUW OpCo GmbH, Hamburg	45.00	188.8	184.0	2017
Zisa Beteiligungs GmbH, Berlin	49.00	–52.6	–12.1	2017
Shareholdings, not consolidated				
AVUS Immobilien-Treuhand GmbH & Co. KG, Berlin	100.00	350.6	–9.0	2017
GbR Fernheizung Gropiusstadt, Berlin	45.59	543.7	–114.2	2018
GSW Verwaltungs- und Betriebsgesellschaft mbH & Co. Grundstücksgesellschaft Köpenicker Landstraße KG i.L., Berlin	0.26	1,415.7	3,383.2	2017
STRABAG Residential Property Services GmbH, Berlin	0.49	246.7	0.0	2017
VRnow GmbH, Berlin	10.00	78.0	–186.1	2017

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Appendix 2 to the Notes to the consolidated financial statements

GROUP SEGMENT REPORTING

for the financial year 2018

EUR m	External revenue		Internal revenue		Total revenue		Segment earnings	
	2018	2017	2018	2017	2018	2017	2018	2017
Segments								
Residential Property Management	1,122.9	1,070.7	28.2	19.2	1,151.1	1,089.9	656.2	612.8
Disposals	180.3	308.6	12.5	9.9	192.8	318.5	43.1	50.3
Nursing and Assisted Living	135.3	120.7	0.0	0.0	135.3	120.7	55.3	48.0
Reconciliation with the consolidated financial statements								
Central function and other operating activities	0.3	0.3	124.8	108.1	125.1	108.4	–95.5	–110.3
Consolidations and other reconciliation	–0.3	–0.3	–165.5	–137.2	–165.8	–137.5	0.0	0.0
	1,438.5	**1,500.0**	**0.0**	**0.0**	**1,438.5**	**1,500.0**	**659.1**	**600.8**

The following auditor's report, prepared in accordance with § 322 HGB ["Handelsgesetzbuch": "German Commercial Code"], refers to the complete consolidated financial statements, comprising of consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity and notes to the consolidated financial statements, together with the combined management report of Vonovia SE, Bochum, for the financial year from January 1, 2019 to December 31, 2019. The combined management report is not included in this prospectus. The below-mentioned auditor's report and consolidated financial statements are both translations of the respective German-language documents.

INDEPENDENT AUDITOR'S REPORT

To Deutsche Wohnen SE, Berlin

Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

Opinions

We have audited the consolidated financial statements of Deutsche Wohnen SE, Berlin, and its subsidiaries (the Group), which comprise the consolidated balance sheet as of December 31, 2018, the consolidated profit and loss statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1, 2018, to December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report (hereinafter: 'group management report') of Deutsche Wohnen SE for the financial year from January 1, 2018, to December 31, 2018. In accordance with the German legal requirements we have not audited the content of the Group's non-financial statement, which is included in Section 9 of the group management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of December 31, 2018, and of its financial performance for the financial year from January 1, 2018, to December 31, 2018, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the Group's non-financial statement mentioned above.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and EU Audit Regulation No. 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1, 2018, to December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of residential and commercial investment property as well as care facilities held for investment

For the valuation (measurement) of property held for investment, please refer to the details provided in the notes to the consolidated financial statements in Sections A.4, C.1, C.2 and D.1.

FINANCIAL STATEMENT RISK

Investment property (largely consisting of residential and commercial property as well as care facilities) is reported in the consolidated financial statements of Deutsche Wohnen as of December 31, 2018, at a value of EUR 23.8 billion. Deutsche Wohnen measures investment property at fair value. In the year under review, positive changes in fair value of EUR 2.2 billion were recognized in the consolidated profit and loss statement.

Deutsche Wohnen determines the fair value of residential and commercial investment property in-house using a discounted cash flow model. In addition, Jones Lang LaSalle SE (hereinafter referred to as JLL) provides an appraisal which is used by Deutsche Wohnen to verify the in-house valuation (measurement) of residential and commercial property. Care facilities are valued (measured) exclusively by W&P Immobilienberatung GmbH (hereinafter referred to as W&P) using a discounted cash flow model.

In-house valuation and valuations (measurements) of JLL and W&P are carried out as of the measurement date (December 31, 2018).

Numerous assumptions relevant to measurement are made when assessing the value of investment property, which are complex and subject to considerable estimation uncertainties and judgments. Even minor changes in the assumptions relevant to measurement can have a material effect on the resulting fair value. The key assumptions for measuring the value of residential and commercial property as of the measurement date were annual rental growth as well as the discount and capitalization rates. The key assumptions for measuring the value of care facilities as of the measurement date were market rents, discount rates and maintenance expenses.

Due to existing estimation uncertainties and judgments, there is the risk for the financial statements that the measurement of investment property is inappropriate.

Moreover, there is the risk for the financial statements that the disclosures on property held for investment required in the notes pursuant to IAS 40 and IFRS 13 are incomplete and inadequate.

OUR AUDIT APPROACH

Our audit procedures in particular included an assessment of the internal valuation method used with a view to compliance with IAS 40 in conjunction with IFRS 13, the accuracy and completeness of data used for real estate portfolios, as well as appropriateness of assumptions for measurement, such as annual rental growth and discount/capitalization rates used. We conducted our audit with the involvement of our valuation experts.

We assessed the internal valuation methods in terms of the valuation model's suitability as well as (financial) mathematical accuracy, and verified that the data and assumptions relevant for measurement were appropriate as of the measurement date.

We compared the target rents processed in the in-house valuation model with the target rents stored in the ERP system. Prior to that, we confirmed the appropriateness and functionality of the controls implemented in the rental process to ensure that the target rents stored in the ERP system are in agreement with the contractual rents.

Subsequently, we assessed the appropriateness of the assumptions made for measurement using a partially representative and partially risk-oriented conscious selection of real estate. For this purpose, we assessed the appropriateness of the assumptions made for determining property-specific annual rental growth and discount/capitalization rates by comparing these to market and industry-specific benchmarks, taking into account the type and location of properties selected. We carried out on-site inspections for selected properties to verify the respective property's condition.

We were satisfied with the qualification and objectivity of JLL, engaged by Deutsche Wohnen to value its residential and commercial property, evaluated the valuation method used for their appraisal with regard to compliance with IAS 40 in conjunction with IFRS 13 and compared the external appraisal with the internal measurements (valuation).

Furthermore, we compared the fair values of the residential and commercial property determined by Deutsche Wohnen with observable multipliers provided by recognized external providers.

We were satisfied with W&P qualification and objectivity with respect to the care facilities and assessed the valuation method used as well as the completeness and accuracy of figures and amounts. We evaluated the appraisal with regard to key assumptions for measurement for a risk-oriented conscious selection of real estate. We carried out on-site inspections for selected properties to verify the respective property's condition. We included our valuation specialists in the audit process.

We also assessed the completeness and adequacy of disclosures on investment property required in the notes to the consolidated financial statements pursuant to IAS 40 and IFRS 13.

OUR OBSERVATIONS

The assumptions and parameters for measurement of the residential and commercial investment property as well as care facilities held for investment are appropriate.

The disclosures on investment property in the notes to the consolidated financial statements pursuant to IAS 40 and IFRS 13 are complete and appropriate.

Recognition and measurement of deferred tax assets and liabilities

Please refer to Sections A.4, C.18 and D.16 of the notes to the consolidated financial statements.

FINANCIAL STATEMENT RISK

Deferred tax assets in the amount of EUR 0.1 million and deferred tax liabilities in the amount of EUR 3,244.7 million are reported in the consolidated financial statements of Deutsche Wohnen as of December 31, 2018. Before netting, deferred tax assets for unused tax loss carryforwards were recognized in the amount of EUR 338.7 million. Deferred tax expenses in the amount of EUR 736.7 million are reported in the consolidated profit and loss statement.

The recognition and measurement of deferred tax assets and liabilities at Deutsche Wohnen SE are complex. The main reasons are calculation and extrapolation of the assessment basis used in connection with non-recognition of deferred tax liabilities for acquisition transactions with no effect on profit or loss (initial recognition exemption within the meaning of IAS 12.15(b)) as well as assumptions with regard to the use of tax relief, such as the extended trade tax exemption, which affect the applicable tax rates. In addition, the recognition and measurement of deferred tax assets require judgments and numerous forward-looking estimates of future tax earnings, the timing of reversal of temporary differences and the usability of loss and interest carryforwards.

There is a risk for the financial statements that the recognition and/or measurement of deferred tax assets and liabilities are inaccurate.

There is also the risk of incomplete disclosure of deferred tax assets and liabilities in the notes.

OUR AUDIT APPROACH

During our audit, we investigated in particular whether the assumptions for recognition and measurement were properly derived and determined in accordance with IAS 12.

First, we conducted a risk assessment in order to gain an understanding of the Group and its environment with regard to tax laws and regulations. We assessed the structure of the process for the recognition and measurement of deferred tax assets and liabilities. In applying a risk-based approach, we also performed the following substantive audit procedures with the assistance of our tax experts. We assessed the appropriateness of assumptions used by significant entities, particularly with regard to continuation of the initial recognition exemption and applicable tax rates as well as taking into account forward-looking estimates of future tax earnings, the timing of reversal of temporary differences and the usability of loss and interest carryforwards in relation to tax planning. We also assessed the complex calculation relating to the initial recognition exemption.

Finally, we assessed whether the disclosures on deferred tax assets and liabilities in the notes to the consolidated financial statements were complete.

OUR OBSERVATIONS

The approach taken as well as assumptions made for measurement of deferred tax assets and liabilities are appropriate. The disclosures on deferred tax assets and liabilities in the notes to the consolidated financial statements are complete.

Other Information

Management is responsible for the other information. The other information comprises:

- the Group's non-financial statement, and
- the remaining parts of the annual report, with the exception of the audited consolidated financial statements and group management report and our auditor's report.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

In accordance with our engagement letter, we conducted a separate assurance engagement of the Group's non-financial statement. Please refer to our assurance report dated March 18, 2019, for information on the nature, scope and findings of this assurance engagement.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on June 15, 2018. We were engaged by the supervisory board on November 6, 2018. We have been the group auditor of Deutsche Wohnen SE without interruption since the financial year 2016.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

In addition to the financial statement audit, we have provided the following services to group entities that are not disclosed in the consolidated financial statements or in the group management report:

Assurance engagement of the Group's non-financial statement and other contractually agreed assurance services.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is René Drotleff.

Berlin, March 18, 2019

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Schmidt Wirtschaftsprüfer (German Public Auditor)	Drotleff Wirtschaftsprüfer (German Public Auditor)

22. VALUATION REPORTS

CBRE Valuation Report as at June 30, 2021

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VALUATION REPORT

in the form of a condensed valuation report ("Valuation Report") of the determination of Fair Value carried out by CBRE in accordance with the International Financial Reporting Standards (IFRS), the International Standards for the Valuation of Real Estate for Investment Purposes ("International Valuation Standards") and the RICS Valuation – Gobal Standards (31 January 2020) (Red Book) of the Royal Institution of Chartered Surveyors, for the purposes of a public offering in Germany and Luxembourg and admission to trading of newly issued shares in connection with a capital increase by **Vonovia SE** (the "Company"[1]). This Valuation Report covers those of the Company's real estate assets that have been re-valued as at 30 June 2021 (hereinafter the "Subject Assets"), being 6,713 investment assets, thereof 6,444 assets in Germany and 269 in Austria, comprised of:
263,902 residential units, thereof 255,577 units in Germany and 8,325 units in Austria,
3,893 commercial units, thereof 3,459 in Germany and 434 in Austria, and
68,039 miscellaneous rental units (internal and external parking units, antennas), thereof 61,498 units in Germany and 6,541 in Austria,
and all as at 30 June 2021.

Date of Valuation:	30 June 2021
Date of Valuation Report:	17 November 2021
Valuer:	CBRE CBRE GmbH Große Gallusstraße 18 60312 Frankfurt Germany "CBRE"
Addressee:	Vonovia SE Universitätsstraße 133 44803 Bochum Germany

CBRE is a *"Gesellschaft mit beschränkter Haftung"* (limited liability company), registered under commercial law in Germany under the company registration number 13347. The German company CBRE GmbH was established on April 3, 1973 and has its registered office at Große Gallusstraße 18, 60312 Frankfurt/Main, Germany.

CBRE is not a company that is regulated by any regulatory authority; however, in its valuation department it employs amongst others, members of the Royal Institution of Chartered Surveyors (RICS), and valuers certified by HypZert GmbH.

[1] The "Company" herein referred to is "Vonovia".

MARKET INSTABILITY

Precision on coronavirus context (COVID 19)

The outbreak of Novel Coronavirus (COVID-19), which was declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, continues to affect economies and real estate markets globally. Nevertheless, as at the valuation date, property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where enough market evidence exists upon which to base opinions of value. Accordingly – and for the avoidance of doubt – our valuation is not reported as being subject to 'material valuation uncertainty', as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

This explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19, we highlight the importance of the valuation date.

Rental Income

The valuation we have provided reflects the rental income as at the date of valuation, as set out within this report, which you have confirmed to be correct and comprehensive. It also reflects any issues concerning the anticipated cash-flow that you have advised us of, as set out within this report. Given the uncertainties relating to the Covid-19 virus and the current restrictions on business activities, it is possible that there will be significant rental defaults and/or insolvencies leading to voids and a resulting shortfall in rental income for commercial units. However, the portfolio of the subject assets is dominated by residential use (98.5% regarding the rental units; 96.4% regarding the total rental area).

Berlin Rental Freeze

On 15 April 2021, the Federal Constitutional Court in Karlsruhe ("Bundesverfassungsgericht") published the final decision of its Second Senate, taken on 25 March 2021, that the Berlin Rental Freeze Law was unconstitutional and therefore null and void.

The Company provided us with a rent roll which contained both current rent levels in accordance with the Rental Freeze Law and current rent levels in accordance with the national Rental Brake ("Mietpreisbremse") legislation, with the latter being taken into account in our valuation.

SUMMARY OF THE VALUATION CONCLUSIONS

Upon the assumption that, after reasonable inquiry of the Company, there are no onerous restrictions or unusual outgoings of which we have no knowledge and based on the specific comments and assumptions set out in this Valuation Report for the Subject Assets, we are of the opinion that the aggregate of the individual Fair Values (net) of the freehold / ground-leasehold interests in the assets in the portfolio, rounded at asset level, as at 30 June 2021 and held as at that date, is:

41,146,877,400 €

(Forty-one billion, one hundred and forty-six million, eight hundred and seventy-seven thousand, four hundred Euros)

net of purchasers' costs and VAT

comprised as follows:

Germany:	39,137,453,400 €
Austria:	2,009,424,000 €

of which the value of owner-occupied assets (proportion of owner-occupation above 50%, weighted by area), classified by the Company according to IAS 16, is 76,598,000 € (representing approximately 0.2% of the Fair Value aggregated on portfolio level).

The assessment of the Fair Value was carried out at asset level. The aggregate of the individual Fair Values presented here takes account of the marketing period and the transaction costs of the individual assets and does not reflect any discounts or premiums on the sales of the whole portfolio or if part of the portfolio were to be marketed simultaneously or in lots.

CBRE has not been engaged to update the CBRE valuation for the purpose of the Prospectus, has no obligation to do so and has not updated the CBRE valuation after the date of valuation, 30 June 2021.

All the assets are held for investment, with the exception of the owner-occupied assets stated above. For detailed breakdowns of values between assets held on freehold-equivalent and leasehold title please refer to Part 5.1 "Fair Value".

There are no negative values to report.

The following table shows aggregated key asset data for the total Portfolio:

Fair Value:	41,146,877,400 €
Total lettable area:	17,089,414 sq m
Average Fair Value per sq m lettable area:	2,408 €
Current annual rental income (gross)[2]:	1,418,552,681 €
Potential annual rental income (gross)[2]:	1,470,076,604 €
Annual market rent (gross)[2]:	1,691,919,730 €
Multiplier (based on current rent):	29.0 times
Multiplier (based on potential rent):	28.0 times
Multiplier (based on market rent):	24.3 times
Net initial yield (based on current rent)	2.6%
Net initial yield (based on potential rent)	2.8%
Net initial yield (based on market rent)	3.3%

Our opinion of "Fair Value" is based upon the scope of work and valuation assumptions as detailed in Part 4 “Explanation of Valuation” and Part 5 “Valuation Conclusions” of this Valuation Report, and has been derived mainly using recent comparable market evidence on arm’s length terms.

[2] Annual rental income (gross) includes income from antennas of 2,394,193 €.

1 Basis of Valuation

1.1 Preamble

CBRE has valued the Company's portfolio bi-/annually including acquisition properties (e.g. DeWAG portfolio, Vitus portfolio) since 2013 for the purpose of financial reporting.

Furthermore, CBRE has provided valuations to the Company for the Initial Public Offering and for subsequent public offerings / capital raising.

Additionally, CBRE valued the former "Gagfah" portfolio on a quarterly basis from 2008 to 2014 for financial reporting purposes for Gagfah M Immobilien-Management GmbH, the former "SÜDEWO" portfolio from 2009 to 2014 for the Süddeutsche Wohnen Management GmbH and the former "Conwert" portfolio from 2011 to Q2/2017 for Conwert Management GmbH.

CBRE valued the former "BUWOG" portfolio initially as at 31 April 2010 for acquisition and financial reporting purposes for IMMOFINANZ. From 2011-2018 CBRE valued the former "BUWOG" portfolio on a quarterly/bi-annual basis for financial reporting purposes for IMMOFINANZ.

The Subject Assets form parts of all of the above portfolios.

1.2 Valuation Instructions

CBRE has been appointed to undertake a Fair Value valuation of the Company's assets as defined herein (the Subject Assets) held as at 30 June 2021 without any re-inspections.

All the subject assets have been inspected in the course of previous valuations detailed in the preamble (please refer to 4.1.2 "Inspection Dates and Coverage").

The assets were valued on the basis of assets (valuation units).

We understand that the assets are held as investments and that the Company requires the value of the freehold or leasehold interest.

We confirm that regarding this instruction we are acting solely for the Company and that we have no conflicts of interests in relation to this instruction.

The valuation is based on the information provided for the previous valuations detailed in the preamble and the current data provided by the Company as at 28 February 2021 (rent roll, expiration dates of subsidies, modernized assets, waiver for mining subsidence) together with the adjusted portfolio units as at 30 June 2021.

1.3 Purpose of Valuation

We acknowledge that our Valuation Report will be used by the Company as one of many sources for the determination of the Fair Value of its properties as part of the prospectus that relates to the public offering in Germany and Luxembourg of newly issued shares by **Vonovia SE** and their admission to trading on the regulated market segment (*"regulierter Markt"*) of the Frankfurt Stock Exchange (*"Frankfurter Wertpapierbörse"*) and on the regulated market of the Luxembourg Stock Exchange (*"Bourse de Luxembourg"*) (the "Prospectus").

The Valuation Report complies with the legal requirements, in particular the Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (as amended, the Prospectus Regulation) in connection with the Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 (as amended, the Delegated Regulation (EU) 2019/980) and the paragraphs 128 to 130 of the European Securities and Market Authority (ESMA) update of the Committee of European Securities Regulators' (CESR) recommendations for the consistent implication of (EC) no. 809/2004.

1.4 Addressee

The present Valuation Report is addressed to:

- Vonovia SE - Germany; Universitätsstraße 133, 44803 Bochum, Germany.

1.5 Publication

Subject to CBRE's prior written consent, CBRE acknowledges and agrees that the Valuation Report will be published in an unabbreviated form in the Prospectus and will be referred to in marketing and other materials prepared in the context of (i) the public offer in Germany and Luxembourg of newly issued shares of the Company from a capital increase with subscription rights and (ii) the admission to trading on the regulated market segment of the Frankfurt Stock Exchange and on the regulated market of the Luxembourg Stock Exchange of these newly issued shares. The Prospectus will be accessible to potential Investors on the Company's website. Apart from that, neither the whole nor any part of our Valuation Report nor any references thereto may be included in any published document, circular statement nor published in any way without our prior written approval of the form and context in which it will appear.

1.6 Date of Valuation

The effective valuation date is 30 June 2021.

1.7 Subject Assets

In accordance with the valuation instruction, the subjects of the valuation are those of Vonovia's assets ("Subject Assets") held and revalued as at 30 June 2021, comprised of:
263,902 residential units, thereof 255,577 residential units in Germany, of which 27,321 are calculated under public rent control, and 8,325 residential units in Austria, of which 5,969 are calculated under public rent control,
3,893 commercial units, thereof 3,459 units in Germany and 434 in Austria, and
68,039 miscellaneous rented units (internal and external parking units, antennas), thereof 61,498 in Germany and 6,541 in Austria.

The following table shows the reconciliation of the different classification into the type of use between Vonovia and CBRE of the German assets:

Transition Vonovia vs. CBRE	Vonovia	Transition	CBRE
Number of residential units	256,032	-455	255,577
Number of commercial units	3,012	447	3,459
Number of external parking units	24,291	-	24,291
Number of internal parking units	36,905	-	36,905
Number of other units (without area)	294	8	302
Total Number of units	**320,534**	**-**	**320,534**
Residential Area (sq m)	15,840,155	-20,975	15,819,180
Commercial Area (sq m)	474,801	20,975	495,776
Total Area (sq m)	**16,314,956**	**-**	**16,314,956**

The majority of the re-allocations were made for units that are rented under a general lease contract („*Generalmietvertrag*"). Although the majority of these units are residential units, the contractual terms of the general lease contracts are more comparable to commercial lease contracts and therefore calculated as commercial units in our valuation. Further, CBRE has calculated commercial units with a lettable area of 0 sq m as other units (without area) according to a different calculation model.

1.8 Tenure

6,190 assets are freehold-equivalent, and 523 assets are ground leasehold-equivalent with Vonovia as ground leaseholder. The average, unweighted leasehold term ends on 6 December 2057. The 523 ground leasehold assets account for 6.8% of the aggregated Fair Value of the portfolio.

1.9 Concept of Value

The assessment of Fair Value has been carried out by CBRE in accordance with the guidelines of the International Financial Reporting Standards (IFRS), the International Standards for the Valuation of Real Estate for Investment Purposes (International Valuation Standards), the RICS Valuation – Global Standards (effective from 31 January 2020) (Red Book) of the Royal Institution of Chartered Surveyors and in accordance with legal requirements, in particular the Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (as amended, the Prospectus Regulation) in connection with the Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 (as amended, the Delegated Regulation (EU) 2019/980) and the paragraphs 128 to 130 of the Euro-pean Securities and Market Authority (ESMA) update of the Committee of European Securities Regulators' (CESR) recommendations for the consistent implication of (EC) no. 809/2004.

The assets have been valued to "Fair Value" in accordance with IAS 40 in connection with IFRS 13.9 of the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), which is defined as:

"Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

"Fair Value", for the purpose of financial reporting under International Financial Reporting Standards is effectively the same as "Market Value", which is defined as:

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm´s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

We have valued the assets individually and no account has been taken of any discounts or premiums that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously, either in lots or as a whole.

We confirm that we have sufficient current local and national knowledge of the particular asset market involved and have the skills and understanding to undertake the valuation competently.

The assets have been valued by valuers who are qualified for the purpose of the valuation in accordance with the RICS Valuation – Global Standards (31 January 2020). Where the knowledge and skill requirements of the Red Book have been met in aggregate by more than one valuer within CBRE, we confirm that a list of those valuers has been retained within the working papers, together with confirmation that each named valuer complies with the requirements of the Red Book.

Note:

The valuation represents the figures that would appear in a hypothetical contract of sale at the valuation date. No allowances have been made for any expenses of realisation nor for taxation which might arise in the event of a disposal. Our valuations are net of purchasers' statutory and other normal acquisition costs. No account has been taken of any inter-company leases or arrangements, nor of any mortgages, debentures or other charge. No account has been taken of the availability or otherwise of capital-based Government or European Community grants. All rents and capital values stated in this report are exclusive of VAT.

The values stated in this report represent our objective and independent opinion of Fair Value in accordance with the definition set out above as at the valuation date. Amongst other things, this assumes that the assets had been properly marketed and that exchange of contracts took place on this date.

1.10 Currency

The currency used in the Valuation Report is Euro.

1.11 Sources of Information

We have carried out our work based upon information supplied to us by the Company and their asset managers, which we have assumed to be correct and comprehensive.

The figures in this Report are based on the rent roll provided by the Company, dated 28 February 2021. The portfolio has been adjusted by the sold units delivered by the Company as at 30 June 2021.

A sample of documents provided, were checked for plausibility.

1.12 Place of Performance and Jurisdiction

German law applies. The place of performance and jurisdiction is Frankfurt am Main.

1.13 Assignment of Rights

The Addressee of the Valuation Report is not entitled to assign its rights - either in whole or in part - to third parties.

1.14 Declaration of Independence

We hereby confirm that to the best of our knowledge and belief CBRE GmbH has carried out the assessment of Fair Value in its capacity as an external valuer as defined by the RICS Valuation – Global Standards. We further confirm that CBRE is not aware of any actual or potential conflict of interest that might have influenced its independent status. This declaration also includes all other departments of CBRE GmbH, including the investment and agency departments.

The total fees, including the fee for this assignment, earned by CBRE GmbH from the Company are less than 2% of the total German revenues earned by CBRE GmbH in 2020. It is not anticipated that this situation will change in the financial year to 31 December 2021. We confirm that we do not have any material interest in Vonovia or the assets.

2 ASSET HOLDINGS – GERMANY

2.1 Description of the Portfolio Structure

The description and structure of the following parts of the portfolio as well as the structure of the tables and charts have been provided by the Company.

Vonovia has divided the portfolio into three parts:

Strategic

This portfolio will include locations which the Company considers to have development potential that is well above-average in general, where Vonovia intends to pursue a value-enhancing property management strategy. The strategic portfolio includes the “Operate”, and “Investment” portfolio clusters:

Operate

Vonovia aims to achieve value generation in this part of the portfolio through rental growth, vacancy reduction, effective and sustainable maintenance spending and cost efficiencies through scale.

Investment

Vonovia aims to achieve a significant improvement in value with an extensive investment program, mainly in energy-efficiency of the buildings and by modernising apartments for senior living and completing high-standard refurbishments in markets where fully refurbished apartments deliver a rental premium.

Recurring Sales

Vonovia privatises apartments by offering them to tenants, owner-occupiers and investors. Vonovia aims to generate further value through the sale (privatisation) of owner-occupier units and single-family houses at a significant premium compared with their Fair Value.

Non-core Disposals

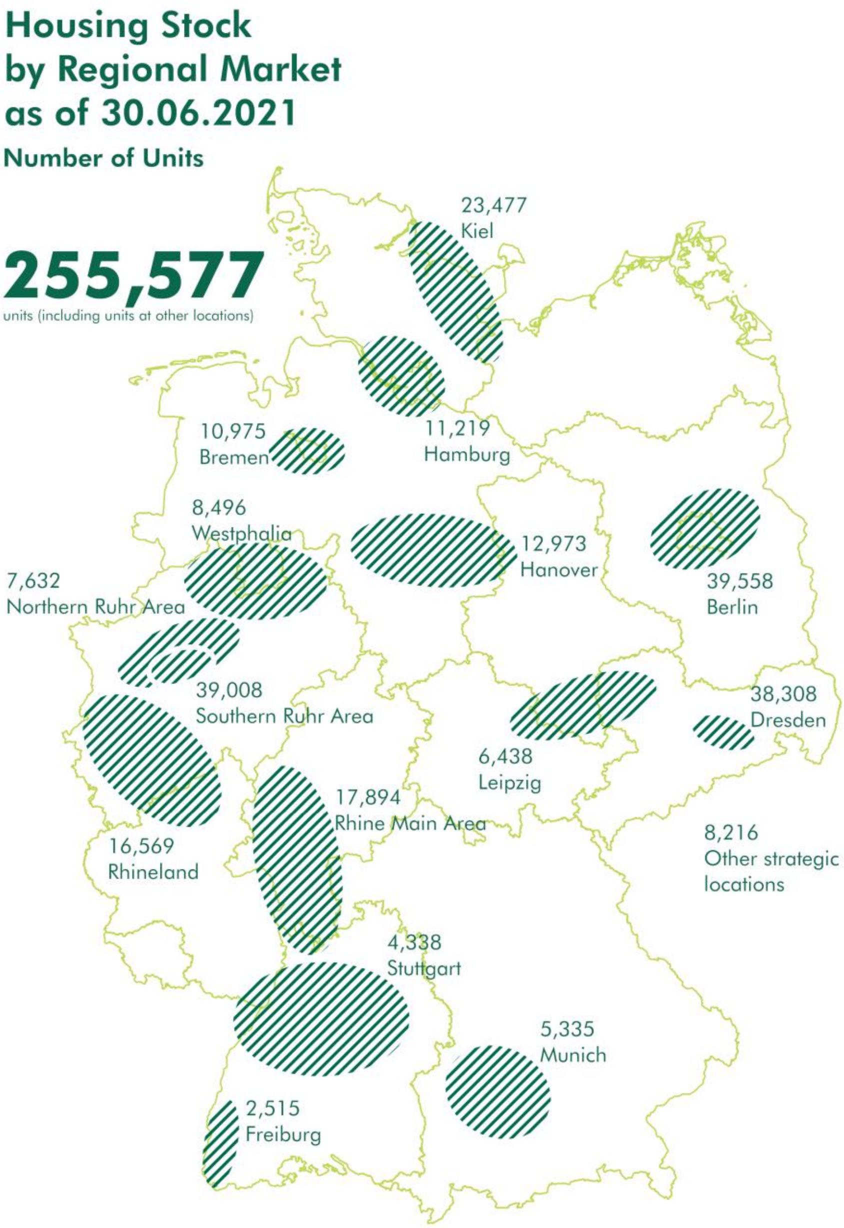
This portfolio focuses on properties for sale, which are not suited for privatisation. The buildings are sold to private and institutional investors. This portfolio includes properties, which do not fit (in the opinion of Vonovia) in terms of macro and micro location or development potential. Limited potential is defined, in particular, by below-average property condition combined with a location that is of similarly below-average quality.

2.2 Description of Regional Markets

Vonovia has divided the portfolio into 17 regional markets. The regional market classification is orientated toward the residential real estate market regions in Germany. These markets are core towns/cities and their surrounding metropolitan areas that are largely similar in terms of the supply of real estate and the real estate market, both at present and in the forecasts. They are also the markets that especially benefit from domestic migration. This definition of the real estate market regions is based on the definition developed by the German Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR). Where local real estate markets show overlaps, Vonovia has grouped them together.

2.3 Geographic Allocation

The following map shows the geographical allocation of residential units based on regional markets, as described in Part 2.2 above.



2.4 Portfolio Breakdown

The German portfolio of the Subject Assets of Vonovia consists of 255,577 residential units, 3,459 commercial units and 61,498 miscellaneous rented units (internal and external parking units, antennas) with a total lettable area of 16,314,956 sq m.

The following table shows the breakdown of the residential part of the portfolio by strategic portfolio, as described in Part 2.1 above.

	Residential						
	Units	Area	Vacancy		Current Annual Rental Income (gross)		Market Rent*
		in sq m	% of Units	% of Area	Total in EUR	EUR per sq m per month	EUR per sq m per month
Operate	71,163	4,438,247	3.2%	3.1%	383,944,155	7.44	8.17
Invest	166,321	10,161,222	2.5%	2.3%	807,260,512	6.78	8.00
Strategic	**237,484**	**14,599,469**	**2.7%**	**2.6%**	**1,191,204,667**	**6.98**	**8.05**
Recurring Sales	17,395	1,157,149	2.5%	2.3%	97,441,023	7.19	8.21
Non-core Disposals	698	62,561	10.5%	10.9%	5,795,338	8.67	9.67
Total	**255,577**	**15,819,180**	**2.7%**	**2.6%**	**1,294,441,028**	**7.00**	**8.06**

*The Market Rent only includes the rented residential units.

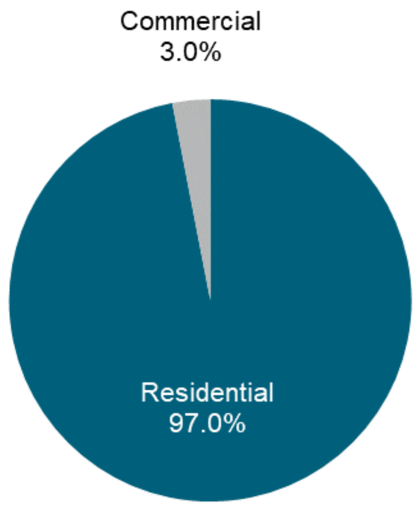
The following table shows the breakdown of the residential part of the portfolio per regional market.

Regional Market	Residential						
	Units	Area	Vacancy		Current Annual Rental Income		Market Rent*
		in sq m	% of Units	% of Area	Total in EUR	EUR per sq m per month	EUR per sq m per month
Berlin	39,558	2,504,187	1.4%	1.3%	206,435,153	6.96	7.89
Southern Ruhr Area	39,008	2,399,886	3.4%	3.4%	180,336,030	6.48	7.61
Dresden	38,308	2,182,419	3.7%	3.5%	160,468,878	6.35	7.05
Kiel	23,477	1,337,748	2.3%	2.2%	104,523,731	6.66	7.62
Rhine Main Area	17,894	1,140,595	1.8%	1.8%	120,836,668	8.99	9.93
Rhineland	16,569	1,113,304	1.8%	1.7%	101,641,933	7.74	8.88
Hanover	12,973	815,972	2.8%	2.7%	66,931,900	7.03	7.98
Hamburg	11,219	708,246	2.5%	1.5%	65,026,248	7.77	9.24
Bremen	10,975	669,129	3.4%	3.4%	47,347,700	6.10	7.01
Westphalia	8,496	555,300	3.8%	3.9%	41,637,301	6.50	7.65
Northern Ruhr Area	7,632	465,966	2.9%	2.8%	33,196,912	6.11	6.96
Leipzig	6,438	421,517	3.9%	3.9%	29,332,774	6.04	6.85
Munich	5,335	350,708	1.5%	1.3%	34,347,197	8.27	12.66
Stuttgart	4,338	275,403	2.7%	2.3%	29,818,073	9.24	10.88
Freiburg	2,515	173,786	0.9%	0.9%	16,253,938	7.87	9.02
Other Strategic Locations	8,216	514,868	4.1%	4.1%	41,182,475	6.95	7.86
Total strategic locations	**252,951**	**15,629,034**	**2.7%**	**2.5%**	**1,279,316,909**	**7.00**	**8.07**
Non-Strategic Locations	2,626	190,146	4.8%	5.3%	15,124,119	7.00	7.89
Total	**255,577**	**15,819,180**	**2.7%**	**2.6%**	**1,294,441,028**	**7.00**	**8.06**

*The Market Rent only includes the rented residential units.

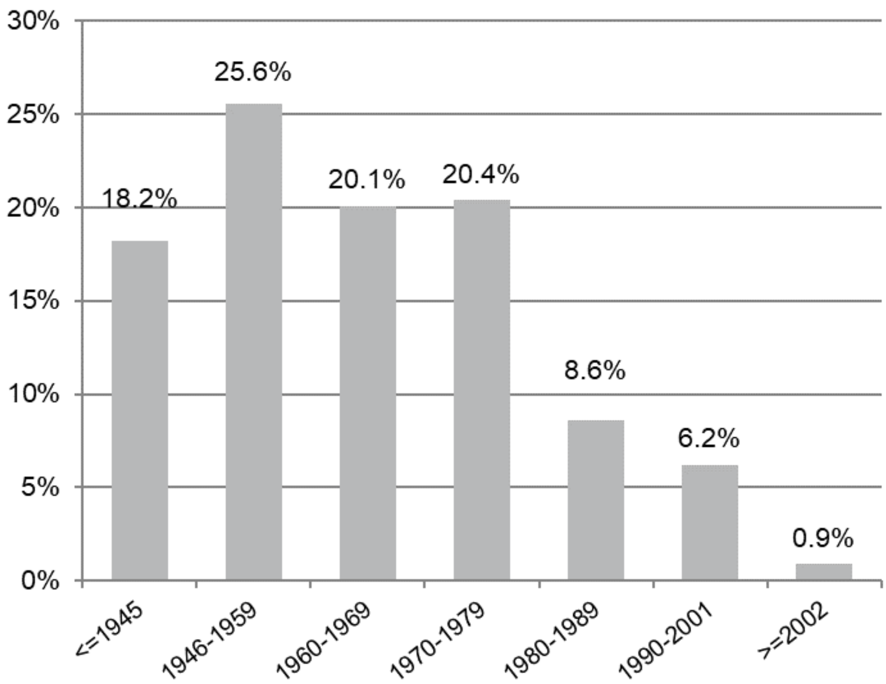
2.5 Breakdown of Rental Units with Lettable Area by Type of Use

In total, as at 30 June 2021 the portfolio of the Subject Assets of Vonovia included 36,163 buildings within 6,444 assets with a total of 320,534 rental units (thereof 255,577 residential and 3,459 commercial units). The total lettable area is 16,314,956 sq m, of which 15,819,180 sq m is residential (97.0%) and 495,776 sq m commercial (3.0%).



2.6 Breakdown of Lettable Area (Residential) by Age of Building

The portfolio assets have a wide range of dates of construction.



2.7 Vacancy Rate

The total vacancy rate at portfolio level weighted by area is 2.7%.

The residential vacancy rate at portfolio level weighted by area is 2.6%.

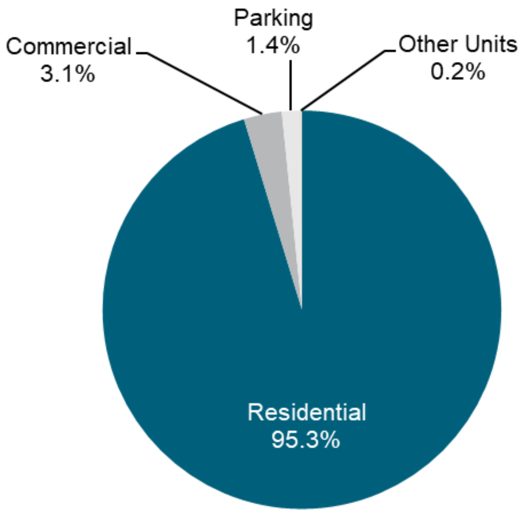
The residential vacancy rate at portfolio level weighted by units is 2.7%.

The EPRA residential vacancy rate at portfolio level is 2.5%.

2.8 Breakdown of Current Annual Rental Income (gross) by Type of Use

At the date of the rent roll of 28 February 2021 (adjusted by units sold as at 30 June 2021), the current annual rental income (gross) was 1,358,341,561 €. Approximately 95.3% of the current annual rental income (gross) is generated from the residential units in the portfolio; residential units subject to public subsidy account for 9.3% of the portfolio´s total current annual rental income (gross).

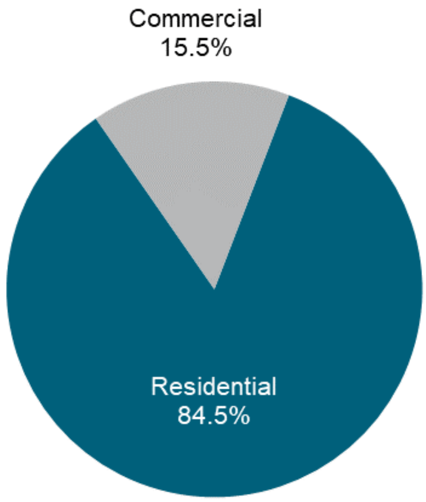
Commercial uses (retail, office and other commercial) account for about 3.1% of the current annual rental income (gross). The 61,196 internal and external parking units generate approximately 1.4%. Income from other units (e.g. antennas) has only relatively low significance of 0.2% at portfolio level.



3 Asset Holdings – Austria

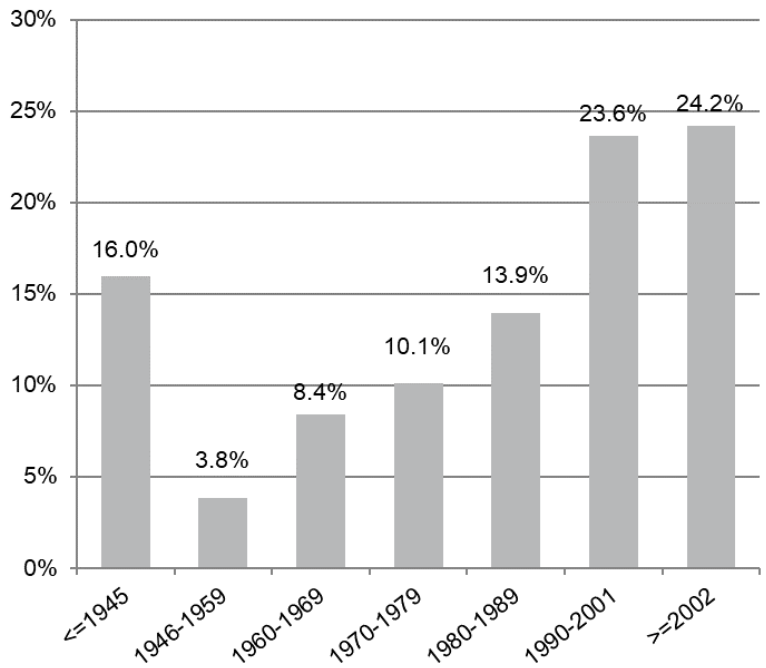
3.1 Breakdown of Rental Units with Lettable Area by Type of Use

In total, as at 30 June 2021 the portfolio of the Subject Assets of Vonovia included 269 assets in Austria (Vienna) with a total of 15,300 rental units (thereof 8,325 residential and 434 commercial units). The total lettable area is 774,458 sq m, of which 654,440 sq m is residential (84.5%) and 120,018 sq m commercial (15.5%).



3.2 Breakdown of Lettable Area (Residential) by Age of Building

The portfolio assets have a wide range of dates of construction.



3.3 Vacancy Rate

The total vacancy rate at portfolio level weighted by area is 4.6%.

The residential vacancy rate at portfolio level weighted by area is 4.1%.

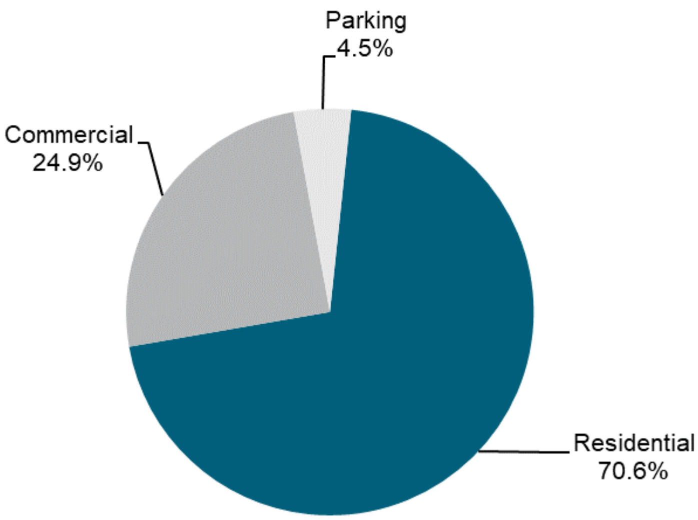
The residential vacancy rate at portfolio level weighted by units is 4.4%.

The EPRA residential vacancy rate at portfolio level is 4.6%.

3.4 Breakdown of Current Annual Rental Income (gross) by Type of Use

At the date of the rent roll of 28 February 2021 (adjusted by units sold as at 30 June 2021), the current annual rental income (gross) was 60,211,120 €. Approximately 70.6% of the current annual rental income (gross) is generated from the residential units in the portfolio of the Subject Assets.

Commercial uses (retail, office and other commercial) account for about 24.9% of the current annual rental income (gross). The 6,541 internal and external parking units generate approximately 4.5%.



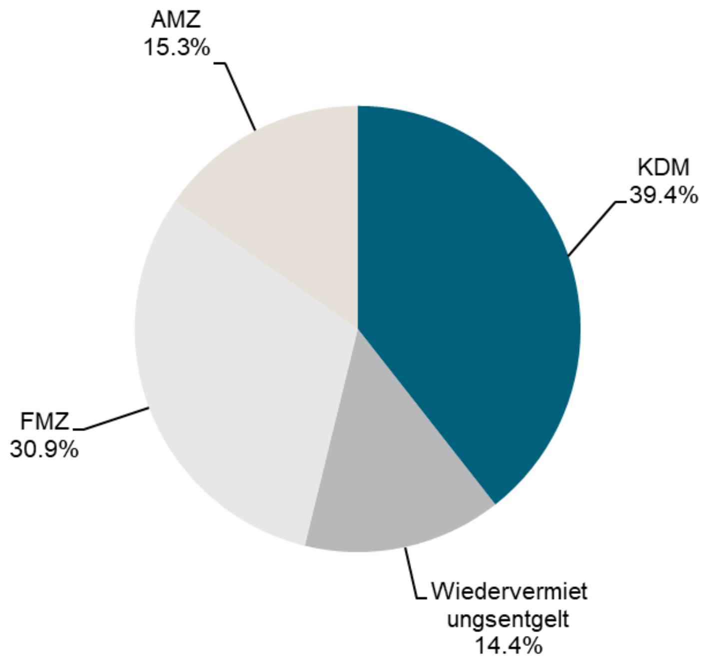
3.5 Breakdown of Current Annual Residential Rental Income (gross) by Type of Rent

In the subject portfolio of the Subject Assets, 76.0% of all residential lettable area is subject to public subsidies with regulated rents. There are four different types of rents in the Austrian system of publicly-subsidised, regulated housing:

- *"Kostendeckende Miete"* (KDM - literally "cost-covering rent", i.e. economic rent). In the subject portfolio the KDM accounts for 39.4% of the entire current annual residential rental income (gross).
- *"Wiedervermietungsentgelt"* (re-letting payment, replacing *"Burgenländischer Richtwert"* (BRW)). The *"Wiedervermietungsentgelt"* is 1.87 € per sq m p. a. and is indexed according to *"Verbraucherpreisindex"* (consumer price index) every second year, starting 1 April 2018. In the subject portfolio the "*Wiedervermietungsentgelt"* accounts for 14.4% of the entire current annual residential rental income.
- *"Angemessene Miete"* (AMZ – "reasonable rent"). This is determined for residential accommodation that has ceased to benefit from public subsidy. The rules correspond to those for "*Freie Mietzins"* (see below). In the subject portfolio the AMZ accounts for 15.3% of the entire current annual residential rental income.

- *"Hausbesorgerwohnungen"* (Caretakers' apartments). None of the subject residential units belongs to this category.

In addition to the four types of restricted residential rent, there is the unregulated *"Freier Mietzins"* (FMZ - open-market rent). It is restricted only by the general provisions of Austrian landlord and tenant law. In the subject portfolio the FMZ accounts for 30.9% of the entire current annual residential rental income.



For further information please refer to sections 4.2.2 "Discounted Cash Flow (DCF) - Austria" and 4.5 "Valuation Parameters – Austria".

4 EXPLANATION OF VALUATION

4.1 Inspections

4.1.1 Basis for Inspections

In accordance with the Company's instruction, the valuation of the assets has been carried out individually on an asset level. For the purpose of the inspections we amalgamated the assets into homogeneous clusters. The cluster criteria were location and situation, type of assets and date of construction.

- LOCATION/SITUATION: all assets in a single inspection cluster must be part of one housing estate or – if they are individual buildings – must be situated in the same neighbourhood,

- TYPE OF ASSETS: These were mainly differentiated into

  A) Detached/Semi-detached houses

  B) Apartment buildings

  C) Commercial assets, such as office buildings, business and retail assets, mixed-use assets with a proportion of commercial value greater than 20%

- DATE OF CONSTRUCTION**:** The categories of construction date were defined as follows:

  1945 and earlier
  1946 to 1959
  1960 to 1969
  1970 to 1979
  1980 to 1989
  1990 to 2001
  2002 onwards

For the inspections, a reference asset was selected from each cluster, on the basis of the desktop analysis and the information available.

During our inspections, we verified that each of the buildings of the valuation clusters were internally consistent and checked whether adjoining buildings had homogeneous characteristics that could enable them to be amalgamated.

Internal and external parking units and other rent-earning units such as antennas are part of a building unit, except if they are economically independent units.

At cluster level, we made an assessment of the situation ("micro location"), the quality level according to the local rental table, the condition of the buildings (asset score) and the typical condition of the apartments, as a basis of our allowances for regular maintenance and tenant improvement costs.

At asset level, the basis of valuation calculations, we took individual account of asset-specific parameters such as administration costs, structural vacancy, current rent, market rent, public subsidy (if any), ground leases (where appropriate) and relevant entries in section II of the land register.

4.1.2 Inspection Dates and Coverage

CBRE has inspected all assets in the course of previous valuation instructions. In 2020, CBRE inspected 798 inspection clusters, which include 1,180 valuation units, of which 726 clusters were in Germany and 72 in Austria. The assets were inspected between March and December 2020. The Company has confirmed that they are not aware of any material changes to the physical attributes of the assets, or the nature of their location, since the last inspection, except for the assets that were marginally modernized between 2012 and 2020 and not re-inspected.

Inspection clusters: the following table shows the breakdown of the inspection clusters which were components of the portfolio as at the dates of the rent roll (28 February 2021):

Total					
Cluster					
Year of Inspection	Total	External Inspection	Percentage of Current Annual Rental Income (gross)	Internal Inspection	Percentage of Current Annual Rental Income (gross)
2011-2017	2,956	2,768	36.6%	188	2.3%
2018	541	518	15.7%	23	0.8%
2019	612	510	9.8%	102	11.4%
2020	798	785	22.3%	13	1.2%
Gesamt	**4,907**	**4,581**	**84.4%**	**326**	**15.6%**

The table above shows the current proportional distribution of external (84.4%) and internal (15.6%) inspections. Within previous valuations a significant higher share of the inspection clusters was inspected internally by CBRE. Several of these internal inspections have been replaced by external re-inspections within subsequent valuations. The table shows only the last inspection type per inspection cluster.

During the inspections, the homogeneity of the defined clusters was checked for plausibility, if necessary, the clustering was amended, and a re-inspection was carried out.

4.2 Method of Valuation

4.2.1 Discounted Cash Flow (DCF) - Germany

The determination of the Fair Value of the individual assets has been carried out using the internationally recognised Discounted Cash Flow (DCF) method. This method, which is based on dynamic investment calculations, allows valuation parameters to be reflected explicitly and, therefore, provides a transparent arithmetical determination of Fair Value. In the DCF method, the future income and expenditure flows associated with the subject asset are explicitly forecasted over a 10-year period of detailed consideration, assuming a letting scenario which is not taking into account any potential privatisations of individual apartments. The cash flows calculated for the period of detailed consideration are discounted, monthly in advance, to the date of valuation, allowing the effect on the current Fair Value of the receipts and payments at varying dates during the 10-year period to be properly reflected.

The discount rate chosen reflects not only the market situation, location, condition and letting situation of the asset and the yield expectations of a potential investor but also the level of security of the forecast future cash flows. As the discounting process means that the effect of future cash flows reduces in importance while at the same time the uncertainty of forecasting tends to increase over time, it is usual in real estate investment considerations for the sustainable net rental income after a ten-year time horizon (the period of detailed consideration) to be capitalised, using a growth-implicit yield, and then discounted to the date of valuation.

The assumptions adopted in the valuation model reflect the average estimates that would be made at the respective date of valuation by investors active in the market. The result of the DCF method is, therefore, the price that a relevant investor in the market would be prepared to pay for the asset at the respective date of valuation, in order to achieve a return from the proposed investment that is in line with present asset market expectations.

4.2.2 Discounted Cash Flow (DCF) - Austria

In order to reflect the specific requirements for the valuation of the Austrian Assets properly, including for instance the long-term subsidies, changes in interest rates and the proceeds of privatisation achievable in the long term, for the purposes of the present valuation of the residential properties we have adopted an 80-year period of detailed consideration (cashflow period).

The cash flows calculated for each year of the period of detailed consideration are discounted, annually in arrears, to the date of valuation, allowing the effect of the receipts and payments at varying dates during the period to be properly reflected in the Fair Value at the date of valuation.

The discount rate chosen reflects not only the market situation and/or the yield expectations of a potential investor but also the uncertainty involved in the forecasting of future cash flows.

The CBRE DCF model reflects the particular characteristics of the residential portfolio, which is partly publicly subsidised but also has possibilities for subdivision into condominiums and individual privatisation; the four different systems for determining rent for the residential accommodation, with different statutory provisions; and the possibility that, on a change of tenant, an apartment could change from one method of determining rent, e.g. cost-covering rent, to another, such as the re-letting payment or reasonable rent.

4.3 General Valuation Assumptions

We have made various assumptions as to tenure, letting, town planning, and the condition and repair of buildings and sites – including ground and groundwater contamination – as set out below.

If any of the information or assumptions on which the valuation is based are subsequently found to be incorrect, the valuation figures should be reconsidered.

No special assumptions (as defined by RICS)[3] have been made.

4.3.1 Constituents of the Subject Assets

Fixtures in the subject assets, such as passenger and goods lifts, other conveyor installations, central heating installations and other technical installations have been regarded as integral parts of the subject asset and are included within our valuation. Tenant's fixtures and fittings that would normally be the asset of the tenant have not been reflected in our valuation.

4.3.2 Structural investigations

We have not carried out building surveys, tested services, made independent site investigations, inspected woodwork, exposed parts of the structure which were covered, unexposed or inaccessible, nor arranged for any investigations to be carried out to determine whether or not any deleterious or hazardous materials or techniques have been used, or are present, in any part of the assets. We are unable, therefore, to give any assurance that the assets are free from defect. We were provided with the information, that building parts (e.g. façade, roofing) of the following assets in Germany may be contaminated with asbestos:

[3] An assumption that either assumes facts that differ from the actual facts existing at the valuation date, or that would not be made by a typical market participant in a transaction on the valuation date (e.g. fully let)

Assets	ZIP	City	Address
63020	13055	Berlin	Konrad-Wolf-Str. 113
63023	12169	Berlin	Südendstr. 31, 32, 33
63071	04159	Leipzig	Blücherstr. 31
63105	10715	Berlin	Berliner Str. 9

To reflect this, we have increased the discount and capitalisation rate by 25 bps.

According to the information we were provided with, 2,308 assets are contaminated with asbestos (Floor-Flex). Within our valuation we considered the provided lump sum of 79,874,457 € for renovation and disposal.

In the absence of any information to the contrary, we have assumed that:

- there are no abnormal ground conditions, nor archaeological remains, present which might adversely affect the current or future occupation, development or value of the assets;
- the assets are free from rot, infestation, structural or latent defect;
- no currently known deleterious or hazardous materials or suspect techniques, including but not limited to composite panelling, have been used in the construction of, or subsequent alterations or additions to, the assets and
- the services, and any associated controls or software, are in working order and free from defect.

We have otherwise had regard to the age and apparent general condition of the assets. Comments made in the property details do not purport to express an opinion about, or advises upon, the condition of uninspected parts and should not be taken as making an implied representation or statement about such parts.

4.3.3 Accommodation

We have not measured the assets but have relied upon the floor areas provided. We have not checked these on site.

We have verified a random sample and relied upon the other areas shown in the tenancy schedules and the additional information provided by the Company for the valuation for the IPO in 2013 and the additional valuations mentioned in the preamble. Within the update valuations we have been reviewed further random samples.

Unless advised specifically to the contrary, we have made the assumption that the floor areas supplied to us for the assets in Germany have been calculated mainly in accordance with "*II. Berechnungsverordnung*" and for the assets in Austria in accordance with *"ÖNORM B 1800"* All areas quoted in this Valuation Report are approximate.

4.3.4 Environmental contamination and soil conditions

We have not undertaken, nor are we aware of the content of, any environmental audit or other environmental investigation or soil survey which may have been carried out on the assets and which may draw attention to any contamination or the possibility of any such contamination, other than as detailed below.

We have not carried out any investigation into the past or present uses of the assets, nor of any neighbouring land, in order to establish whether there is any potential for contamination and have therefore assumed that none exists.

Soil contamination:

We were provided with information concerning soil contamination by the Company.

For five assets, the Company provided us with cost estimations as follows:

Assets	ZIP	City	Address	Amount in EUR
80217	60311	Frankfurt	Battonnstr. 50, 52, 62-66 even; Fahrgasse 80-92 even	182,030
42144	60311	Frankfurt	Mainkai 15-21	182,030
80034	44623	Herne	Behrensstr. 51-59 odd	178,212
18197a	14193	Berlin	Elgersburger Str. 20-23; Ilmenauer Str. 7, 7a, 8, 8a	285,138
18197b	14193	Berlin	Franzensbader Str. 7-9	106,927

For eight further assets, we have assumed there is an impact on value and have increased the capitalisation rate by 25 bps to reflect this, as we were not provided with any specific amount:

Assets	ZIP	City	Address
70003	40599	Dusseldorf	Hasselsstr. 103
43039	80687	Munich	Agnes-Bernauer-Str. 30, 30a-g, 32, 34, 34a-g, 36-40 even; Friedenheimer Str. 13-27 odd; Schäufeleinstr. 33, 35
43044	28199	Bremen	Westerstr. 130, 132
43046	28207	Bremen	Hastedter Heerstr. 189
43052	38108	Brunswick	Dortmunder Str. 1-3; Duisburger Str. 23
80034	44623	Herne	Behrensstr. 51-59 odd
80035	44623	Herne	Behrensstr. 54
43064	40472	Dusseldorf	Selbecker Str. 26

Based on the information we were provided with we have assumed that for the remaining assets there is no material influence on value of single assets due to the suspicion of soil contamination.

Mining subsidence:

In accordance with our instructions and scope of work, for the purposes of this valuation, we have not conducted or given instructions for any more detailed investigations concerning mining subsidence.

We have been provided with information by the Company concerning potential costs which may arise from mining for 188 assets in Germany with a total amount of 27,318,000 €. We have deducted this sum at individual asset level.

General:

In the absence of any further information to the contrary, we have assumed that:

- the assets are not contaminated and are not adversely affected by any existing or proposed environmental law,
- any processes which are carried out on the assets which are regulated by environmental legislation are properly licensed by the appropriate authorities.

Should it be discovered, subsequent to our valuation, that contamination exists on any of the subject properties and/or on adjoining or nearby properties or that uses capable of causing contamination have been carried out in any of the subject properties, this could have a detrimental effect on the value of the subject property concerned.

We have assumed that either the assets possess current Energy Performance Certificates as required under Government Directives or Vonovia can present the documents if required.

4.3.5 Title and Tenancies

Details of title/tenure under which the assets are held and of lettings to which it is subject are as supplied to us. We have not generally examined nor had access to all the deeds, leases or other documents relating thereto. Where information from deeds, leases or other documents is recorded in this report, it represents our understanding of the relevant documents without obtaining separate legal advice.

Unless stated otherwise within this report and in the absence of any information to the contrary, we have assumed that:

- the assets possess a good and marketable title free from any onerous or hampering restrictions or conditions;
- only minor or inconsequential costs will be incurred if any modifications or alterations are necessary in order for occupiers of each assets to comply with the provisions of the relevant disability discrimination legislation;
- there are no tenant's improvements, others than those mentioned in 4.4.4, that will materially affect our opinion of the rent that would be obtained on review or renewal;
- where appropriate, permission to assign the interest being valued herein would not be withheld by the landlord where required and
- vacant possession can be given of all accommodation which is unlet or is let on a service occupancy (except structural vacancy).

We have not been provided with Legal Due Diligence Reports by the Company.

In accordance with our valuation instructions, our determination of Fair Value is based on the information provided to us, which also applies to rented accommodation, tenancies, current rental income, remaining lease terms and other lease conditions.

In the absence of any information to the contrary, we have assumed that:

I. all the subject assets are either held freehold-equivalent (complete or partial) by the subsidiaries of the Company or, in the case of a ground lease (*"Erbbaurecht"*), are held for a limited term;

II. all the subject assets together with encumbrances and restrictions in section II of the land register have been correctly registered in the land register.

Mortgages or other liabilities that currently exist or that in the future might affect one or more of the subject assets have not been taken into account.

<u>Redevelopment areas:</u>

We have been provided with the information that following assets are located in redevelopment areas. As compensation payments may occur for these assets, we have increased the discount rate by 25 bps to reflect this. The assets are shown in the table below.

Assets	ZIP	City	Address
63112	13591	Berlin	Südekumzeile 26, 26a-e, 27, 27a, 28, 28a-c, 29, 29a, 30, 31, 31a, b
63037	01067	Dresden	Behringstr. 16a, b; Berliner Str. 21-27 odd, 27a
63094	40210	Dusseldorf	Oststr. 78
63043	01099	Dresden	Prießnitzstr. 42, 42a
63113	13595	Berlin	Weißenburger Str. 18
63040	01159	Dresden	Gröbelstr. 11
63049	01159	Dresden	Eichendorffstr. 8
63026	12459	Berlin	Wilhelminenhofstr. 19
63056	01159	Dresden	Gröbelstr. 14
63120	01127	Dresden	Rehefelder Str. 41
63057	01159	Dresden	Poststr. 6
63042	01099	Dresden	Förstereistr. 35
63044	01099	Dresden	Sebnitzer Str. 10

4.3.6 Pending Litigation, Legal Restrictions (Easements on Real Estate, Rent Regulations etc.)

In accordance with the information provided by the Company, we have assumed, without verification, that the assets are free from any pending litigation, that the ownership is unencumbered and that there are no other legal restrictions such as easements on real estate, rent regulations, restrictive covenants in leases or other outgoings that might adversely affect value.

4.3.7 Monument Protection

Based on the information provided to us by the Company, 10.2% (by number of assets) of the assets (representing 10.0% of the Fair Value aggregated on portfolio level) are listed monuments.

4.3.8 Tenants

We have not conducted credit enquiries on the financial status of any tenants. We have, however, reflected our general understanding of purchasers' likely perceptions of the financial status of tenants.

In the absence of information to the contrary, we have assumed that there are no significant rent arrears.

4.3.9 Taxes, Contributions, Charges

We have assumed that all public taxes, contributions, charges etc. which could have an effect on value will have been levied and, as far as they are due, paid as at the date of valuation.

4.3.10 Insurance Policy

We have assumed that the subject assets are covered by a valid insurance policy that is adequate both in terms of the sum assured and the types of potential loss covered.

4.3.11 Legal Requirements / Authorisation for the Existence and Use of the Subject Assets

No investigations of the compliance of the individual subject assets with legal requirements (including (permanent) planning consent, building permit, acceptance, restrictions, building-, fire-, health- and safety regulations etc.) or with any existing private-law provisions or agreements relating to the existence and use of the site and building have been carried out.

In carrying out our valuations, we have assumed that all necessary consents and authorisations for the use of the assets and the processes carried out at the assets are in existence, will continue to subsist and that they are not subject to any onerous conditions.

4.3.12 Town Planning and Road Proposals

We have not undertaken planning enquiries but have relied upon the information provided where appropriate. For the purposes of our valuation we assume that there are no adverse town planning, highways or other schemes or proposals that will have a detrimental effect on our valuations.

4.3.13 Assumptions Regarding the Future

For the purpose of determining the Fair Value of the subject assets, we have assumed that the assets will continue in their existing use.

4.3.14 Assets to be demolished

The following assets have been identified by CBRE for potential demolition[4]:

Assets	ZIP	City	Address
64612	45279	Essen	Minnesängerstr. 72-76
46430	23554	Lübeck	Am Behnckenhof 60

In our valuation, we have allowed for obtaining vacant possession of the units that are still let prior to demolition, while repair and maintenance costs have been included at only 20% of the initial costs. The individual Net capital value of the net income still receivable, the site value and the demolition costs of the properties have been assessed and discounted to the date of valuation.

4.3.15 Owner-Occupied Assets

Normally, owner-occupied assets were valued on the basis of vacant possession. We have checked the existing lease contracts in comparison to the current market rental level. If the current contract is rack-rented, we have assumed remaining lease contracts in average of approximately 3.5 years. Otherwise we assumed a termination of the existing contract within the next four months.

[4] CBRE valued the subject asset on the basis of its demolition, due to its negative cashflow.

4.4 Valuation Parameters - Germany

The assessment of Fair Value is based on future cash flows, which reflect normal market expectations taking into account past figures from the subject assets or comparable investments. The valuation parameters have been assessed by CBRE, using its best judgement, based on the information provided by the Company.

4.4.1 Non-Recoverable Management Costs

Residential leases generally involve non-recoverable management costs. For the purposes of this valuation and on the basis of experience of CBRE and an analysis of costs of public and private housing associations, non-recoverable management costs have been allowed for at between 215 € and 300 € per residential unit p.a. (depending on the number of residential units in the individual building). We have allowed 355 € p.a. for each residential unit in buildings that are undergoing privatisation, according to the Condominium Act ("*Wohneigentumsgesetz" - WEG*).

For the asset in Berlin (VU 81337) we have allowed 450 € per residential unit p.a.

The weighted average non-recoverable management costs amount to 257 € per residential unit p.a.

For the commercial units, we have allowed non-recoverable management costs of 3% of the gross rental income on potential rent.

4.4.2 Non-Recoverable Repair and Maintenance Costs

The annual costs per square metre of lettable area adopted for the purposes of this valuation are average figures for the types of use concerned, arrived at on the basis of experience by CBRE and the analysis of costs of similar buildings by third-party firms. They take into account the necessary cost inputs for long-term operation of the assets. The maintenance and repair costs allowed for in the valuation are between 6.00 € per sq m p.a. and 17.50 € per sq m p.a., with a weighted average of 9.84 € per sq m p.a. depending on the age and condition of the building concerned. The existence of a lift system is taken into account with an additional 1.30 € per sq m p.a. For listed monuments, we assumed an increase of ongoing maintenance costs of 10%.

4.4.3 Capital Expenditure and other Factors affecting Value

In addition to the non-recoverable ancillary costs, which are deducted monthly from the gross rental income during the period of detailed consideration, capital expenditure on repair and maintenance work already planned at the date of valuation has also been reflected. CBRE has not undertaken technical surveys.

For this valuation, we were provided with short-, medium- and long-term capital expenditure Costs (CapEx) by the Company for 1.311 assets (excluding fire prevention works in properties in Dresden). To reflect the short-term costs, we have deducted the running maintenance costs from year 1 from the short-term CapEx Costs provided and have taken the resultant amount into account (Year 1). Regarding the medium- and long-term costs, we estimated 75% of the provided costs as CapEx and took these amounts into account in Year 3 (medium-term) and in Year 7 (long-term).

For the purposes of our valuation we have assumed total costs of rectifying the current maintenance backlog of 469,786,468 € for 1,230 assets. For all other assets, the running maintenance costs of year 1 cover the CapEx Costs provided.

The CapEx Costs are distributed as follows over the strategic portfolios: Operate (20%), Invest (64%), Recurring Sales (3%) and Non-Core Disposals (13%).

Additionally, we were provided with the information, that costs will be incurred for fire prevention works to 12 properties in Dresden. We have deducted this amount from 2021 until 2024:

Assets	ZIP	City	Address	2021-2024
80483	01169	Dresden	Amalie-Dietrich-Platz 8	3,054,271
80484	01169	Dresden	Amalie-Dietrich-Platz 9	4,422,483
80489	01069	Dresden	St. Petersburger Str. 10, 10a, 12, 12a, 14, 18, 18a, b, 20, 22	12,621,950
80502	01069	Dresden	Hochschulstr. 34, 36	2,672,942
80503	01069	Dresden	Hochschulstr. 38, 40	2,655,957
80504	01069	Dresden	Hochschulstr. 42, 44	2,515,662
80506	01217	Dresden	Michelangelostr. 2	4,691,812
80508	01217	Dresden	Michelangelostr. 7	4,555,157
80510	01239	Dresden	Jacob-Winter-Platz 1	2,285,715
80512	01237	Dresden	Am Anger 22	3,743,554
80513	01239	Dresden	Gamigstr. 20	3,971,530
80514	01239	Dresden	Gamigstr. 22	4,546,990
Total				**51,738,021**

4.4.4 Tenant Improvements

Under German law, it is frequently the tenant’s responsibility to carry out decorative and minor repairs. Upon a change in tenants, however, additional expenses for basic repairs and renovation of the interior of the individual rental units must be incurred, e.g. in the bathrooms of residential units, to facilitate renewed letting. For each of the buildings, based on current market experience and the average condition of the apartments, we have allowed amounts for initial refurbishments and/or on tenant fluctuation ranging from 15 to 200 € per sq m with an overall weighted average of 65 € per sq m for residential accommodation.

Maintenance costs and costs for tenant improvement for residential area sum up to 15.39 € per sq m p.a.

4.4.5 Non-Recoverable Operating Costs (Vacancy)

Based on an analysis by the German Tenants’ Association we have reflected non-recoverable operating costs on vacant residential space at a flat rate of 24 € per sq m p.a. and for vacant commercial space of 12 € per sq m p.a. This includes, for example, heating costs for a minimal level of heating, costs for caretaker or security services and electricity and cleaning costs.

4.4.6 Inflation

The DCF method used includes an explicit reflection of inflation forecast at 1.8% in year 1, 1.8% in year 2 and 2.0% in the following years. Full allowance for inflation has been made for maintenance and repair costs, management and operating costs and ground rents (*Erbbauzinsen*). Inflation rates forecasts were provided by CBRE Research, as at March 2021. The sources are Consensus Forecast and ECB.

4.4.7 Discount Rate and Capitalisation Rate

The Capitalisation Rate is derived from the average Net Initial Yield (“NIY”) achieved in transactions involving residential properties that were observed by CBRE and reflects the market situation as well as the yield expectations of a potential investor. It includes rental growth assumptions implicitly. The Discount Rate, which explicitly reflects rental growth in the cash flows, is derived from the Capitalisation Rate plus the average rental growth.

The Discount Rate and Capitalisation Rate are adjusted individually for each local market to be valued, in accordance with the following criteria:

- quality of the location
- demand and levels of value in the relevant local real estate market
- the prospects for the local market
- development of rents and prices (yield compression)
- the current letting situation in the property as regards vacancy, over-rented or under-rented status, the quality of the tenancy structure, the remaining lease term(s) and (for commercial leases) the indexation provisions and extension options
- the nature of the asset, its age, size and condition
- additional risk adjustments to take into account uncertainties in the forecasting of future cash flows

The Capitalisation Rate is used to capitalise the net rental income after the cashflow period ("Exit Value"). This net rental income comprises the assumed rental income at that time less the non-recoverable operating costs.

The cash flows and the Exit Value are discounted using the selected Discount Rate, monthly in advance.

The resulting net present values were checked against our analysis of comparable transactions (if available) from the sale price data collected by the relevant local valuation committee ("*Gutachterausschuss"*) and an analysis of the internal lease and sale database of the CBRE Valuation Department. If necessary, in the absence of transaction data, asking prices for comparable assets on offer at empirica systeme were also considered. If, in particular instances, results of our DCF calculations were found not to reflect the Fair Value of an individual building, the calculation was adjusted by means of a change in the discount rate and Capitalisation Rate using expert and experienced judgement.

For the subject properties, we have adopted a weighted average Discount Rate of 4.32% and an average Capitalisation Rate of 2.67%.

4.4.8 Market Rent

For the purposes of this valuation, CBRE has estimated market rents at the valuation date for the lettable accommodation and asset units. These are based on an analysis of the local asset market, using data available to CBRE and accessible third-party sources. This includes:

- recent leases and tenancies agreed by Vonovia in the years 2020 and 2021
- analysis of the internal rental database of the CBRE Valuation Department
- publications by, and chargeable database queries of, market research institutes and real estate companies

At the date of valuation, the aggregated current annual rental income (gross) was 1,358,341,561 € p.a. and the aggregated annual market rent (gross) in comparison was 1,604,401,228 € p.a. The following table shows the breakdown of the different uses in € per sq m:

Type of Use	Current Rent	Market Rent
	in EUR per sq m per Month	
Residential non-subsidised	7.16	8.06
Residential subsidised	5.82	
Retail	9.38	9.47
Office	7.32	7.42
Other	6.00	6.33
	in EUR per unit per Month	
Internal Parking	40.23	41.03
External Parking	22.60	23.86

4.4.9 Market Rental Trends during the Period of Detailed Consideration

During the 10-year period of detailed consideration of the forecast cash flows, explicit modelling of changes in market rents has been included, estimated by CBRE at administrative district ("*Landkreis/Kreisfreie Stadt*)" level for all assets. The estimates are mainly based on data from the state statistics offices, BulwienGesa AG's RIWIS database and the Prognos AG Zukunftsatlas. Depending on location, the resulting trends of market rent range between annual increases of 0.9% to 3.3% for year 1 to 5 and 0.8% to 2.2% for year 6 to 10, with a weighted average of 1.9%, adjusted for the quality of situation and condition of the building.

4.4.10 Rent Control and Public Subsidies

A number of the residential units were subject to rent control as at the valuation date. Instead of the rent increase method of the BGB ("*Bürgerliches Gesetzbuch"*) the subsidised residential units are subject to an economic rent ("*Kostenmiete"*). Contrary to Part 4.4.9 we have calculated with a rental growth of 0.5%, based on our experience. Except for subsidised properties in Schleswig-Holstein, for which rents are allowed to be increased by 9% in 3 years (according to the law for public subsidised properties in Schleswig-Holstein – SHWoFG).

According to the information provided by the Company, 10.7% of the residential units are subject to rent control.

Expiry of Restriction in Years	Residential Units	
	Total	in % of Total Residential Units
<=10 years	16,947	6.6%
11-25 years	9,618	3.8%
26-40 years	101	0.0%
41-55 years	326	0.1%
56-70 years	256	0.1%
> 70 years	73	0.0%
Restricted Units	**27,321**	**10.7%**
Not Restricted	228,256	89.3%
Total	**255,577**	**100%**

At the valuation date, there is 22,492,351 € of direct public subsidies payable to Vonovia during the next 10 years.

Local Statute Rent ("*Satzungsmiete"*)

In January 2009, the regulation of the economic rent was repealed in Baden-Wuerttemberg. Since that date subsidized apartments (*"1. Förderweg"*) must not be let for a higher rent, than the rent which the municipality sets out in the local statute.

For the determination of the respective market rent (local statute rent) of the concerned properties, we have chosen the following approach:

We have analysed the provided local statutes and rental tables. To derive the market rent we have made plausibility checks with the information provided to us by the Company (internal rent approach).

4.4.11 Structural and Turnover Vacancy

As at the valuation date, in Germany the portfolio has an average vacancy rate of 2.7% (weighted by area). We are assuming in our valuation that the weighted average structural vacancy rate of the German portfolio is 1.1% with a range of 0% to 25% at asset level.

In addition to the structural vacancy rate we have calculated a turnover vacancy between 1 to 6 months which corresponds to 0.0% to 5.5%, with an average of 0.8%. Together with the structural vacancy the average stabilized vacancy rate of the portfolio is 1.8%.

4.4.12 Purchaser's costs

For the purposes of the valuation and in line with normal practice, no allowance has been made for any personal costs or taxes that would be incurred by the purchaser in the course of the transaction. Mortgages and any other existing charges on the assets have not been taken into consideration in this valuation. Normal costs payable by the purchaser on transfer have been reflected as follows:

Agent’s fees	1.0% - 3.0%
Notary’s fees	0.3% - 1.1%

The transfer tax as at the date of valuation, 30 June 2021, for each relevant federal state as is shown in the table below.

Federal State	Land Transfer Tax Rate
Baden-Wuerttemberg	5.00%
Bavaria	3.50%
Berlin	6.00%
Bremen	5.00%
Hamburg	4.50%
Hesse	6.00%
Lower Saxony	5.00%
North Rhine Westphalia	6.50%
Rhineland-Palatinate	5.00%
Saxony	3.50%
Schleswig-Holstein	6.50%

The net capital value is derived by deducting the purchaser's costs as shown from the calculated gross capital value. It is therefore equivalent to the net proceeds that the vendor would receive on a notional sale, not allowing for any personal costs or taxes to which the vendor would become liable as a result of the sale. The amount of the deduction depends on the investment volume of the asset concerned.

4.5 Valuation Parameters - Austria

The assessment of Fair Value is based on future cash flows, which reflect normal market expectations taking into account past figures from the subject assets or comparable investments. The valuation parameters have been assessed by CBRE, using its best judgement, based on the information provided by the Company.

4.5.1 Repair and Improvement Contributions (EVB)

In accordance with § 14d WGG "*Wohnungsgemeinnützigkeitsgesetz*" (social housing law), a *"Erhaltungs- und Verbesserungsbeitrag - EVB"* (repair and improvement contribution) is to be levied on buildings to which the WGG applies. In our valuation model we have therefore taken account of the repair and improvement contributions for the lettable area of apartments let on KDM (cost-covering rent). In accordance with the WGG-Novelle 2016, we also apply the EVB approach for units that are rented with the re-letting payment.

The statutory EVB (repair and improvement contributions), which are levied for future modernisation and refurbishment, depends on the initial date of letting as follows:

Erhaltungs- und Verbesserungsbeitrag (EVB) according to WGG-Novelle 2016			
Statutory 1 April 2020			
Initial Letting since (years)	EVB	Initial Letting since (years)	EVB
0 - 5	0.53 €	18	1.37 €
6	0.60 €	19	1.43 €
7	0.66 €	20	1.49 €
8	0.73 €	21	1.56 €
9	0.79 €	22	1.62 €
10	0.85 €	23	1.69 €
11	0.92 €	24	1.75 €
12	0.98 €	25	1.81 €
13	1.05 €	26	1.88 €
14	1.11 €	27	1.94 €
15	1.17 €	28	2.01 €
16	1.24 €	29	2.07 €
17	1.30 €	>29	2.13 €

For the purposes of our valuation, we have adopted the EVB allowances that are applied by the Company in its operative business. These take into consideration the statutory regulations in relation to the age of buildings but also take into account their individual structural condition and local market circumstances.

Important statutory provisions in this respect are:

- For all buildings that were completed by the Company before April 1, 2001, the civil law norms of the WGG (§§ 13-21 WGG) are applicable.
- For apartments let on cost-covering rent and re-letting payment, if the repayable EVB is not invested in the property, the excess is repayable to the tenant.

4.5.2 Maintenance / Repair Charge

For all other types of rent payment and/or accommodation (reasonable rents, privately-financed rents, caretakers' apartments and commercial accommodation) the ongoing maintenance and repair charge has been determined by reference to the current condition of the building.

The most important structural elements are assessed by the Company on a grading system (1 = excellent; 2 = good; 3 = satisfactory; 4 = adequate; 5 = poor) and a weighted average is calculated according to their proportion of costs. Corresponding to this result, average maintenance and repair costs for the remaining useful life, at property level, are then assigned as follows:

Condition of Building under Company's Grading List	Maintenance/Repair Charge in € per sq m per month
1	0.50
2	0.60
3	0.70
4	0.80
5	0.90

The condition of the building will be reassessed at each future date of valuation, in particular after refurbishment work has been carried out or new items of disrepair have occurred.

The Company's appraisal of the condition of the buildings is checked and verified by CBRE using the results (scores) from CBRE's initial inspection in April 2010 and the annual, external re-inspection of approximately 20% of the Austrian portfolio (by Fair Value).

The annual costs per sq m of lettable area adopted for the purposes of this valuation are average figures for the types of use concerned, arrived at on the basis of experience by CBRE and the analysis of costs of similar buildings by third-party firms. They take into account the necessary cost inputs for long-term operation of the assets. The maintenance and repair costs allowed for in the valuation for residential space are between 5.11 € per sq m p.a. and 27.51 € per sq m p.a. (in exceptional cases below 5.11 € per sq m), with a weighted average of 16.51 € per sq m p.a. depending on the age and condition of the building concerned.

4.5.3 Costs on Change of Tenant and Transformation of Accommodation

In reality, on change of tenant the landlord only incurs additional costs for renovating and/or repairing a residential unit, that are not covered by EVB or a lump sum for repairs, in the higher-value segments of reasonable rents and open market rents. In our model we have allowed costs of 35-150 € per sq m on each change. The overall average costs for tenant improvements sum up to 41 € per sq m for residential area.

In the event of a change in regime from cost-covering rent to reasonable rent, higher costs must be applied, as the rent will be increased to market rental value and the condition and standard of fit-out of the residential unit must be adapted accordingly. In this instance we have applied costs of 0 to 400 € per sq m in our calculations, depending on the condition of the building / residential unit, its building age and the achievable reasonable rent analogous to market rental value.

4.5.4 Capital Expenditure

In addition to the non-recoverable ancillary costs, which are deducted monthly from the gross rental income during the period of detailed consideration, capital expenditure on repair and maintenance work already planned at the date of valuation has also been reflected. CBRE has not undertaken a technical survey. For this valuation, we were provided with capital expenditure Costs (CapEx) by the Company for 43 assets in Austria. To reflect these costs, we have deducted the running maintenance costs from year 1 from the CapEx Costs provided and have taken the resultant amount into account.

For the purposes of our valuation we have assumed total costs of rectifying the current maintenance backlog of 13,009,571 EUR for 28 assets. For all other assets, the running maintenance costs of year 1 cover the CapEx Costs provided.

4.5.5 Tenant Fluctuation and Reduction of Vacancy

The fluctuation rate refers to the proportion of the accommodation that it is assumed will have to be re-let each year. The tenants' fluctuation rates applied are 6% for units let at cost-covering rent, re-letting payment and accommodation let at a reasonable rent. A fluctuation rate of 10% p.a. has been applied to privately-financed and commercial space.

The reduction of the current vacancy rate of 4.6%, is reflected at asset level, as follows:

- 50%-100% p.a. for residential units
- 20% p.a. for commercial space

Based on the type of vacancy, a calculated amount of space has been included for the reduction in vacancy in the year concerned. This notional area is divided by the average apartment floor area. The result is the number of units that could in reality be let. As, in reality, only "whole" apartments can be let, the average apartment floor area and the whole number of newly-let units result in a reduction in vacancy that, in most cases, is lower than the theoretical figure. The remainder is included in the vacant space for the subsequent year.

4.5.6 Void Period

The void period (fluctuation vacancy) for units let on cost-covering rent and re-letting payment has been set at zero. A three months void period has been adopted for units subject to reasonable rents and six months for open-market rents and commercial space. The overall lettability of the commercial space has been implicitly reflected in the discount rate.

Vacant periods and market rental values have also been applied to internal parking spaces, car parking and motorcycle parking spaces, depending on the absolute vacancy rate and the local marketability.

Void costs have not been taken into account, due to the general ease of re-letting the units.

4.5.7 Inflation

In the DCF method a flat rate of 2.0% p.a. has been applied. Full allowance for inflation has been made for re-letting payment, reasonable rent, open-market rent, market rent, the achievable privatisation proceeds, maintenance and repair costs, ground rents, discounted depreciated replacement costs and the capitalized income value of properties held on ground (building) leases. Inflation rates forecasts were provided by CBRE Research. The sources are Consensus Forecast and ECB.

4.5.8 Discount Rate

The discount rate reflects the market situation as well as the yield expectations of a potential investor. It also includes an additional risk premium to take account of uncertainty in the forecasting of future cash flows. The discount rate is based on the net initial yield on comparable properties, adjusted for the growth expectations (unrelated to a specific location) of an average investor. When analysing net initial yields, the comparability of situation, property condition, letting situation and the ratio of rent reserved to market rental value has to be considered. Our basic discount rate for a primarily residential portfolio of similar quality to the subject portfolio is 5.75% as at the date of valuation.

The basic discount rate has been adjusted for various relevant features and qualities of each property. These have been assessed on the basis of information provided by the client and obtained in the course of our inspection. The adjustments applied in our model are as follows:

Basic Discount Rate	
	5.75%
Adjustment for commercial elements	
Commercial element up to 10%	0.10%
Commercial element up to 50%	0.25%
Commercial element in excess of 50%	0.50%
Adjustment for quality of location, based on inspection	
Very good residential area	-0.50%
Good residential area	-0.25%
Medium residential area	0.00%
Modest residential area	0.25%
Adjustment for size of building(s)	
up to 4 storeys	0.00%
up to 6 storeys	0.10%
above 6 storeys	0.20%
Adjustment for type of building	
Detached house	-0.50%
Duplex/semi-detached/terraced house	-0.25%
Apartment building	0.00%
Adjustment for property category (predominant category of accomodation)	
Category A	-0.25%
Category B	0.00%
Category C	0.25%
Category D	0.50%
Other adjustments	
Addition to monument protection	0.00%
Addition to building lease < 10 years	2.50%
Addition to building lease 10-30 years	1.50%
Addition to building lease > 30 years	1.25%
Deduction for new buildings (date of construction to date of valuation < 11 years)	-0.50%

The adjustment for location uses a scoring system for all Austrian municipalities, on the basis of population trend and purchasing power per inhabitant:

The Fair Value was determined using all the objective criteria is checked for plausibility using data from recent transactions and/or in local markets in rural municipalities and in the absence of market data, by analogy at the end of the valuation process.

For the subject properties, we have adopted a weighted average Discount Rate of 4.68%.

4.5.9 Rent Determination

The individual systems for determining rent have been calculated in the DCF valuation model as follows:

***"Kostendeckende Miete"* (cost-covering rent) – regulated**

In our valuation model we have applied the current KDM payable, as stated in the portfolio data provided by the Company. The cost-covering rent can be increased only if there is an increase in the interest on borrowed and/or equity capital (so-called *"Annuitätensprung"*). This *"Annuitätensprung"* can result from an increase in the interest rate on borrowed capital during the course of the loan (e.g. on expiry of a subsidised loan). In our model, using the determination of the difference in the interest payments, a rent supplement per sq m is calculated, which is added to the current cost-covering rent chargeable. The interest rate increase is capped in our model, i.e. the increase in cost-covering rent can rise to a maximum of the market rent estimated by CBRE.

***"Wiedervermietungsentgelt"* (re-letting payment) - regulated**

After deducting the EVB (regulated maintenance costs) from the re-letting payment a net rent of 1.87 € per sq m (not considering any additional payments, such as the ground rent, being borne by the tenant) remains in the cashflow calculations, which is indexed annually at the inflation rate.

***"Angemessener Mietzins"* (reasonable rent) / *"Freier Mietzins"* (open-market rent)**

On a new letting, or when normal landlord and tenant law begins to be applied, under § 13 para. 4 WGG of 1987, the landlord has the opportunity, based on the "*Rückzahlungsbegünstigungsgesetz"* (RGB – law to facilitate repayment) and the early repayment of a loan, to demand a reasonable ongoing payment and a reasonable amount for financing, instead of the cost-covering rent. The reasonable rent must accordingly be appropriate for the size, type, quality, location, quality of finish and condition of the apartment (§ 16 MRG). The reasonable rent therefore corresponds to the open-market rent. The reasonable rent and the open-market rent are indexed annually at the inflation rate.

4.5.10 Market Rent

For the purposes of this valuation, CBRE has estimated market rents at the valuation date for the lettable accommodation and asset units. These are based on an analysis of the local property market, using data available to CBRE and accessible third-party sources. This includes:

- recent leases and tenancies agreed in the years 2020 and 2021
- publications by, and chargeable database queries of, market research institutes and real estate companies

Please note that 69.1% of the residential units in terms of annual rental income are subject to regulation and cannot be let to market conditions.

At the date of valuation, the aggregated current gross rental income on portfolio level was 60,211,120 € p.a. and the aggregated estimated market rent in comparison was 87,518,501 € p.a. The following table shows the breakdown of the different uses in € per sq m:

Type of Use	Current Rent	Market Rent
	in EUR per sq m per Month	
Residential non-subsidised	7.65	8.64
Residential subsidised	5.05	
Commercial	11.28	11.10
	in EUR per unit per Month	
Internal Parking	47.58	51.52
External Parking	44.52	33.16

4.5.11 Provision of Equity Capital

If the landlord has invested more in a residential complex than was levied as EVB, the landlord can offset EVB income against this provision. In these instances, therefore the EVB that exceeds the required amount is not treated as an expense but rather as additional income until the provision has been exhausted.

The aggregated volume of 11,460,000 € at portfolio level of the provision of "*Eigenmittelvorlage"* (equity capital) is explicitly reflected in the valuation as additional income in year one.

4.5.12 Finance Contribution

On completion of publicly-subsidised residential properties, the first tenants to move in have to pay a certain amount per sq m (e.g. 500 €) as a *"Finanzierungsbeitrag"* (financing contribution) to decrease the financing costs of the landlord and in consideration of the low level of rent. This financing contribution remains attached to the individual apartment even after changes of tenant and is decreased by 1% per year (so called *"Verwohnung"*). As provided by the Company, we have added the discounted net present value of the financing contributions to each of the assets. The aggregated volume of 41,422,866 € at portfolio level is explicitly reflected in the valuation as additional income in year one.

4.5.13 Individual Privatisation (subdivision into condominiums)

The model is based on the general assumption that only apartments (of all rental types) that become vacant due to fluctuation can be privatised. The maximum privatisation rate for properties that are capable of privatisation therefore corresponds to the rate of fluctuation. The average fluctuation rate applied in the model is 6.4%.

We assessed 183 of the 269 Austrian assets as being capable of privatisation. In order to reflect the realistic instances of privatisation, in the same way as for the reduction in vacancy the privatisation scenario is based on entire units only. The following individual input parameters are relevant:

- Marketing costs (not considering any company specific sales costs according to IFRS 13.25)
- Costs of subdividing residential/commercial space and parking
- Sales price per apartment (non-refurbished) from Company's realised sale proceeds, WKO property price table at district level and, at municipality level, scoring of potential sale prices using socio-democratic and economic data and WKO figures.
- A notional allocation is made on the basis of the statutory regulations after expiry of a certain period. E.g. for residential properties built after 2001 in accordance with the *"Wohnbaufördergesetz"* (promotion of residential construction act) and let at a reasonable rent, not until year 11 (from the date of construction).
- Sale price of internal parking spaces / external parking spaces / motor cycle parking spaces.

4.5.14 *"WEG-Rücklage"* (Condominium reserve fund)

Based on the provided information we considered a lump sum of 312,177 € as condominium reserve fund, with a range of 1,816 € and 76,304 € on asset level.

4.5.15 Change of Space Classification

Under § 13 Paragraph 6 WGG (*"Wiedervermietungsentgelt"*: re-letting payment), on re-letting an apartment that was previously subject to a cost-covering rent, it is possible to demand a higher rent. This rent corresponds to the re-letting payment. However, this is only possible provided that the cost-covering rent is lower than the re-letting payment, and that no loan on the property has been redeemed under the *"Rückzahlungsbegünstigungsgesetz"* (RBG) of 1987.

In order to model this situation exactly, when it occurs the actual fluctuation space available has been deducted from the accommodation subject to cost-covering rent and included in the accommodation subject to the *"Wiedervermietungsentgelt"*.

A further change of classification can occur on re-letting, if a loan on the property has already been redeemed under the RGB. The accommodation concerned can then be re-let at a reasonable rent.

4.5.16 Data on Building Leases

The assets abroad include 10 assets held on ground (building) leases. For the purposes of the CBRE valuation the following criteria were taken into account:

- Amount of ground rent (total 1,159,565 € p.a. at the date of valuation 30 June 2021)
- Remaining term
- Discounted Depreciated Replacement Costs (analogous to *"Sachwert"*) or Capitalised Income Value (analogous to *"Ertragswert"*) at the date of valuation
- Compensation payment on expiry (data obtained from the ground leases: none and 25% of the Depreciated Replacement Costs or 67% of the Capitalised Income Value)

The cash flow for properties held on ground leases has been separately determined. In this instance the items taken into account and discounted for appropriate periods are (i) the net rental income for the remaining term of the building lease, indexed at the rate of inflation, less the indexed ground rent and (ii) on expiry of the term, the depreciated replacement cost (*"Sachwert"*) of the buildings, adjusted by the percentage compensation payable under the terms of the lease.

4.5.17 Exceptional Items

None

5 VALUATION CONCLUSIONS

5.1 Fair Value

Upon the assumption that, after reasonable inquiry of the Company, there are no onerous restrictions or unusual outgoings of which we have no knowledge and based on the specific comments and assumptions set out in this Valuation Report of the Subject Assets, we are of the opinion that the aggregate of the individual Fair Values (net) of the freehold / ground-leasehold interests in the assets in the portfolio, rounded at asset level, as at 30 June 2021 and held as at that date, is:

41,146,877,400 €

(Forty-one billion, one hundred and forty-six million, eight hundred and seventy-seven thousand, four hundred Euros)

net of purchasers' costs and VAT

comprised as follows:

Germany: 39,137,453,400 €

Austria: 2,009,424,000 €

of which the value of owner-occupied assets (proportion of owner-occupation above 50%, weighted by area), classified by the Company according to IAS 16, is 76,598,000 € (representing approximately 0.2% of the Fair Value aggregated on portfolio level).

The assessment of the Fair Value was carried out at asset level. The aggregate of the individual Fair Values presented here takes account of the marketing period and the transaction costs of the individual assets and does not reflect any discounts or premiums on the sale of the whole portfolio or if part of the portfolio were to be marketed simultaneously or in lots.

CBRE has not been engaged to update the CBRE valuation for the purpose of the Prospectus, has no obligation to do so and has not updated the CBRE valuation after the date of valuation, 30 June 2021.

All the assets are held for investment, with the exception of the owner-occupied assets stated above. The table below shows the split of values between assets held for investment and owner-occupation by freehold-equivalent and leasehold title.

	Total Fair Value in EUR
Freehold-Equivalent	38,350,840,500
*Short Leasehold	2,240,518,900
**Long Leasehold	478,920,000
Subtotal Assets held as an Investment	**41,070,279,400**
Freehold-Equivalent	15,868,000
*Short Leasehold	430,000
**Long Leasehold	60,300,000
Subtotal Owner-Occupied Assets	**76,598,000**
Total	**41,146,877,400**

* 50 years or less unexpired
** Over 50 years unexpired

There are no negative values to report.

The following table shows aggregated key asset data for the total portfolio:

Fair Value:	41,146,877,400 €
Total lettable area:	17,089,414 sq m
Average Fair Value per sq m lettable area:	2,408 €
Current annual rental income (gross)[5]:	1,418,552,681 €
Potential annual rental income (gross) [5]:	1,470,076,604 €
Annual market rent (gross) [5]:	1,691,919,730 €
Multiplier (based on current rent):	29.0 times
Multiplier (based on potential rent):	28.0 times
Multiplier (based on market rent):	24.3 times
Net initial yield (based on current rent)	2.6%
Net initial yield (based on potential rent)	2.8%
Net initial yield (based on market rent)	3.3%

The following table shows aggregated key asset data for the German portfolio:

Fair Value:	39,137,453,400 €
Total lettable area:	16,314,956 sq m
Average Fair Value per sq m lettable area:	2,399 €
Current annual rental income (gross) [5]:	1,358,341,561 €
Potential annual rental income (gross) [5]:	1,404,773,164 €
Annual market rent (gross) [5]:	1,604,401,228 €
Multiplier (based on current rent):	28.8 times
Multiplier (based on potential rent):	27.9 times
Multiplier (based on market rent):	24.4 times
Net initial yield (based on current rent):	2.6%
Net initial yield (based on potential rent):	2.8%
Net initial yield (based on market rent):	3.2%

[5] Annual rental income (gross) includes income from antennas of 2,394,193 €.

For information purposes only the following table shows the breakdowns of the Fair Value of the German Assets by type of use. The figures have been calculated by breaking down the overall Fair Value on unit level and allocating the individual unit results to the different type of uses.

Type of Use	Total		
	Current Annual Rental Income (gross)	Fair Value breakdown	
	Total in EUR	in EUR	x Current Annual Rental Income (gross)
Residential	1,294,441,028	37,537,599,906	29.0
Commercial	44,341,775*	993,627,227	22.4
Parking	19,558,758	606,226,267	31.0
Total	**1,358,341,561**	**39,137,453,400**	**28.8**

* The Current Annual Rental Income (gross) of the commercial units includes the income of the antennas.

The following table shows aggregated key asset data for the Austrian assets:

Fair Value	2,009,424,000 €
Total lettable area:	774,458 sq m
Average Fair Value per sq m lettable area:	2,595 €
Current annual rental income (gross):	60,211,120 €
Potential annual rental income (gross):	65,303,440 €
Annual market rent (gross):	87,518,501 €
Multiplier (based on current rent):	33.4 times
Multiplier (based on potential rent):	30.8 times
Multiplier (based on market rent):	23.0 times
Net initial yield (based on current rent):	2.3%
Net initial yield (based on potential rent):	2.5%
Net initial yield (based on market rent):	3.8%

Our opinion of Fair Value is based upon the scope of work and valuation assumptions as detailed in Part 4 “Explanation of Valuation” of this Valuation Report and has been derived mainly using comparable recent market evidence on arm’s length terms.

For further information please refer to Part 6 “Valuation Key Definitions”.

5.2 Breakdowns of the Fair Value by Portfolio Structure

	Total			
	Fair Value			
	Total in EUR	in % of Total	per sq m	x NCR
Operate	11,502,348,531	28.0%	2,399	26.8
Invest	24,403,885,113	59.3%	2,383	29.7
Strategic	**35,906,233,644**	**87.3%**	**2,388**	**28.7**
Recurring Sales	3,107,986,350	7.6%	2,612	30.6
Non-Core Disposals	123,233,406	0.3%	1,395	17.0
Vonovia Germany	**39,137,453,400**	**95.1%**	**2,399**	**28.8**
Assets Austria	2,009,424,000	4.9%	2,595	33.4
Total	**41,146,877,400**	**100.0%**	**2,408**	**29.0**

6 VALUATION KEY DEFINITIONS

Lettable area

The lettable area in this valuation is defined by the entry in the Company's rent roll provided.

Total lettable area

Total lettable area in square metres – sum of residential and commercial floor area;
as at 30 June 2021

Residential units

Residential units - number of residential premises excluding internal and external parking units and other units;
as at 30 June 2021

Commercial units

Commercial units - number of commercial and special premises; excluding internal and external parking units and other units;
as at 30 June 2021

Internal Parking units

Internal Parking units (units) - number of internal parking spaces;
as at 30 June 2021

External Parking units

External Parking units (units) - number of external parking spaces;
as at 30 June 2021

Other units

Other units – e.g. number of antennas;
as at 30 June 2021

EPRA residential vacancy rate

Residential annual market rent (gross) of vacant space divided by residential annual market rent (gross) of the whole portfolio

Current annual rental income (gross):

The current gross rental income represents the rent paid for the units let on contractual agreements as at 28 February 2021 (adjusted for units sold as at 30 June 2021), before deducting non-recoverable operating costs and VAT, multiplied by 12. Rent-free periods have been taken into account.

Potential annual rental income (gross):

The potential rent is the sum of the current monthly gross rental income and the market rent of vacant units – irrespective of any vacancy – as at 28 February 2021 (adjusted for units sold as at 30 June 2021), multiplied by 12.

Annual market rent (gross):

The (monthly) market rent of all units as at 28 February 2021 (adjusted for units sold as at 30 June 2021; irrespective of any vacancy) multiplied by 12.

Multiplier (based on current rent):

Net capital value divided by current rental income (gross)

Multiplier (based on potential rent):

Net capital value divided by potential rental income (gross)

Multiplier (based on market rent):

Net capital value divided by market rent (gross)

Net initial yield (based on current rent):
Current rental income (net) divided by gross capital value
Current rental income (gross) minus non-recoverable operating costs / net capital value plus purchaser's costs

Net initial yield (based on potential rent):
Potential rental income (net) divided by gross capital value

Net initial yield (based on market rent):
Market rental income (net) divided by gross capital value

Note: the valuation keys above are defined in accordance with the gif Gesellschaft für Immobilienwirtschaftliche Forschung e.V. Arbeitskreis Real Estate Investment Management.

Freehold or freehold-equivalent refers to *"Eigentum"* title.

Ground lease/leasehold refers to *"Erbbaurecht"* title in Germany and *"Baurecht"* in Austria.

ppa. Michael Schlatterer, MRICS	ppa. Sandro Höselbarth
Residential Valuation Germany	Head of Residential Valuation Germany
Senior Director	Managing Director
CBRE GmbH	CBRE GmbH

CBRE Valuation Report as at December 31, 2020

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VALUATION REPORT

in the form of a condensed valuation report ("Valuation Report") of the determination of Fair Value carried out by CBRE in accordance with the International Financial Reporting Standards (IFRS), the International Standards for the Valuation of Real Estate for Investment Purposes ("International Valuation Standards") and the RICS Valuation – Gobal Standards (31 January 2020) (Red Book) of the Royal Institution of Chartered Surveyors, for the purposes of a public offering in Germany and Luxembourg and admission to trading of newly issued shares in connection with a capital increase by **Vonovia SE** (the "Company"[1]). This Valuation Report covers those of the Company's real estate assets that have not been re-valued as at 30 June 2021 (hereinafter the "Subject Assets"), being 4,349 investment assets, thereof 3,519 assets in Germany, 685 in Austria and 3 in Hungary, comprised of:
109,747 residential units, thereof 96,081 units in Germany and 13,666 units in Austria,
2,835 commercial units, thereof 2,664 in Germany, 158 in Austria and 13 in Hungary, and
45,609 miscellaneous rental units (internal and external parking units, antennas), thereof 34,968 units in Germany and 10,641 in Austria, and
Land consisting of undeveloped freehold land (137 assets) with an area of 648,339 sq m, thereof 123 assets with an area of 605,601 sq m in Germany and 14 assets with an area of 42,738 sq m in Austria,
and 5 plots in Germany held on a ground lease with an area of 23,412 sq m (hereinafter referred to as "Land"), and all as at 31 December 2020.

Date of Valuation:	31 December 2020
Date of Valuation Report:	17 November 2021
Valuer:	CBRE GmbH Große Gallusstraße 18 60312 Frankfurt Germany "CBRE"
Addressee:	Vonovia SE Universitätsstraße 133 44803 Bochum Germany

CBRE is a *"Gesellschaft mit beschränkter Haftung"* (limited liability company), registered under commercial law in Germany under the company registration number 13347. The German company CBRE GmbH was established on April 3, 1973 and has its registered office at Große Gallusstraße 18, 60312 Frankfurt/Main, Germany.

CBRE is not a company that is regulated by any regulatory authority; however, in its valuation department it employs amongst others, members of the Royal Institution of Chartered Surveyors (RICS), and valuers certified by HypZert GmbH.

[1] The "Company" herein referred to is "Vonovia".

MARKET CONDITIONS

Coronavirus (COVID 19)

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel, movement and operational restrictions have been implemented by many countries. In some cases, "lockdowns" have been applied – in varying degrees – to reflect further 'waves' of COVID-19. While these may imply a new stage of the crisis, they are not unprecedented in the same way as the initial impact.

The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date, property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where enough market evidence exists upon which to base opinions of value. Accordingly – and for the avoidance of doubt – our valuation is not reported as being subject to 'material valuation uncertainty', as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

For the avoidance of doubt this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19, we highlight the importance of the valuation date.

Rental Income

The valuation we have provided reflects the rental income as at the date of valuation, as set out within this report, which you have confirmed to be correct and comprehensive. It also reflects any issues concerning the anticipated cash-flow that you have advised us of, as set out within this report. Given the uncertainties relating to the Covid-19 virus and the current restrictions on business activities, it is likely that there will be significant rental defaults and/or insolvencies leading to voids and a resulting shortfall in rental income for commercial units. Should this occur, there will be a negative impact on the value of the subject property. However, the portfolio of the subject assets is dominated by residential use (97.5% regarding the rental units; 96.7% regarding the total rental area).

SUMMARY OF THE VALUATION CONCLUSIONS

Upon the assumption that, after reasonable inquiry of the Company, there are no onerous restrictions or unusual outgoings of which we have no knowledge and based on the specific comments and assumptions set out in this Valuation Report for the Subject Assets, we are of the opinion that the aggregate of the individual Fair Values (net) of the freehold / ground-leasehold interests in the assets in the portfolio, rounded at asset level, as at 31 December 2020 and held as at that date, is:

12,751,978,725 €

(Twelve billion, seven hundred and fifty-one million, nine hundred and seventy-eight thousand, seven hundred and twenty-five Euros)

net of purchasers' costs and VAT

comprised as follows:

Germany:	11,795,856,500 €
Austria:	841,078,700 €
Hungary[2]:	3,880,600 €
Land:	111,162,925 €

of which the value of owner-occupied assets (proportion of owner-occupation above 50%, weighted by area), classified by the Company according to IAS 16, is 78,410,000 € (representing approximately 0.6% of the Fair Value aggregated on portfolio level).

The assessment of the Fair Value was carried out at asset level. The aggregate of the individual Fair Values presented here takes account of the marketing period and the transaction costs of the individual assets and does not reflect any discounts or premiums on the sales of the whole portfolio or if part of the portfolio were to be marketed simultaneously or in lots.

CBRE has not been engaged to update the CBRE valuation for the purpose of the Prospectus, has no obligation to do so and has not updated the CBRE valuation after the date of valuation, 31 December 2020.

For detailed breakdowns of values between assets held for investment (freehold-equivalent and leasehold assets), for non-specialized development and land not held for development as well as assets held on a ground lease please refer to Part 5.1 "Fair Value".

There are no negative values to report.

[2] The local currency in Hungary is Hungarian Forint (HUF). The rents and costs have been converted to EUR (at the exchange rate stated below) to undertake the valuation.

The following table shows aggregated key asset data for the total Portfolio (excluding Land):

Fair Value excluding Land:	12,640,815,800 €
Total lettable area:	7,412,894 sq m
Average Fair Value per sq m lettable area:	1,705 €
Current annual rental income (gross)[3]:	579,748,128 €
Potential annual rental income (gross)[2]:	603,169,832 €
Annual market rent (gross)[3]:	675,047,469 €
Multiplier (based on current rent):	21.8 times
Multiplier (based on potential rent):	21.0 times
Multiplier (based on market rent):	18.7 times
Net initial yield (based on current rent)	3.4%
Net initial yield (based on potential rent)	3.6%
Net initial yield (based on market rent)	4.2%

Our opinion of "Fair Value" is based upon the scope of work and valuation assumptions as detailed in Part 4 “Explanation of Valuation” and Part 5 “Valuation Conclusions” of this Valuation Report, and has been derived mainly using recent comparable market evidence on arm’s length terms.

[3] (1) Annual rental income (gross) includes income from antennas of 577,554 €. (2) Residential rents in Hungary are payable in Hungarian forints (HUF). For the purposes of this valuation we have adopted an exchange rate of 365 HUF = 1 €, based on fx-rate.net as at 31 December 2020.

1 Basis of Valuation

1.1 Preamble

CBRE has valued the Company's portfolio bi-/annually including acquisition properties (e.g. DeWAG portfolio, Vitus portfolio) since 2013 for the purpose of financial reporting.

Furthermore, CBRE has provided valuations to the Company for the Initial Public Offering and for subsequent public offerings / capital raising.

Additionally, CBRE valued the former "Gagfah" portfolio on a quarterly basis from 2008 to 2014 for financial reporting purposes for Gagfah M Immobilien-Management GmbH, the former "SÜDEWO" portfolio from 2009 to 2014 for the Süddeutsche Wohnen Management GmbH and the former "Conwert" portfolio from 2011 to Q2/2017 for Conwert Management GmbH.

CBRE valued the former "BUWOG" portfolio initially as at 31 April 2010 for acquisition and financial reporting purposes for IMMOFINANZ. From 2011-2018 CBRE valued the former "BUWOG" portfolio on a quarterly/bi-annual basis for financial reporting purposes for IMMOFINANZ.

The Subject Assets form parts of all of the above portfolios.

1.2 Valuation Instructions

CBRE has been appointed to undertake a Fair Value valuation of the Company's assets as defined herein (the Subject Assets) held as at 31 December 2020 with inspections of 408 inspection clusters, which include 538 valuation units (including modernized assets; please refer to 4.1.2 "Inspection Dates and Coverage").

The assets were valued on the basis of assets (valuation units).

We understand that the assets are held as investments and that the Company requires the value of the freehold or leasehold interest.

We confirm that regarding this instruction we are acting solely for the Company and that we have no conflicts of interests in relation to this instruction.

The valuation is based on the information provided for the previous valuations detailed in the preamble and the current data provided by the Company as at 31 August 2020 (rent roll, expiration dates of subsidies, modernized assets, waiver for mining subsidence) as well as the adjusted portfolio units as at 31 December 2020.

1.3 Purpose of Valuation

We acknowledge that our Valuation Report will be used by the Company as one of many sources for the determination of the Fair Value of its properties as part of the prospectus that relates to the public offering in Germany and Luxembourg of newly issued shares by **Vonovia SE** and their admission to trading on the regulated market segment (*"regulierter Markt"*) of the Frankfurt Stock Exchange (*"Frankfurter Wertpapierbörse"*) and on the regulated market of the Luxembourg Stock Exchange (*"Bourse de Luxembourg*") (the "Prospectus").

The Valuation Report complies with the legal requirements, in particular the Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (as amended, the Prospectus Regulation) in connection with the Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 (as amended, the Delegated Regulation (EU) 2019/980) and the paragraphs 128 to 130 of the European Securities and Market Authority (ESMA) update of the Committee of European Securities Regulators' (CESR) recommendations for the consistent implication of (EC) no. 809/2004.

1.4 Addressee

The present Valuation Report is addressed to:

- Vonovia SE - Germany; Universitätsstraße 133, 44803 Bochum, Germany

1.5 Publication

Subject to CBRE's prior written consent, CBRE acknowledges and agrees that the Valuation Report will be published in an unabbreviated form in the Prospectus and will be referred to in marketing and other materials prepared in the context of (i) the public offer in Germany and Luxembourg of newly issued shares of the Company from a capital increase with subscription rights and (ii) the admission to trading on the regulated market segment of the Frankfurt Stock Exchange and on the regulated market of the Luxembourg Stock Exchange of these newly issued shares. The Prospectus will be accessible to potential Investors on the Company's website. Apart from that, neither the whole nor any part of our Valuation Report nor any references thereto may be included in any published document, circular statement nor published in any way without our prior written approval of the form and context in which it will appear.

1.6 Date of Valuation

The effective valuation date is 31 December 2020.

1.7 Subject Assets

In accordance with the valuation instruction, the subjects of the valuation are those of Vonovia's assets ("Subject Assets") held as at 31 December 2020 and not revalued as at 30 June 2021, comprised of:
109,747 residential units, thereof 96,081 residential units in Germany, of which 11,095 are calculated under public rent control, and 13,666 residential units in Austria, of which 13,615 are calculated under public rent control,
2,835 commercial units, thereof 2,664 units in Germany, 158 in Austria and 13 in Hungary, and
45,609 miscellaneous rented units (internal and external parking units, antennas), thereof 34,968 in Germany and 10,641 in Austria, and
Land consisting of undeveloped freehold land (137 assets) with an area of 648,339 sq m, thereof 123 assets with an area of 605,601 sq m in Germany and 14 assets with an area of 42,738 sq m in Austria, and 5 plots in Germany held on a ground lease with an area of 23,412 sq m.

The following table shows the reconciliation of the different classification into the type of use between Vonovia and CBRE of the German assets:

Transition Vonovia vs. CBRE	Vonovia	Transition	CBRE
Number of residential units	98,038	-1,957	96,081
Number of commercial units	713	1,951	2,664
Number of external parking units	13,233	-	13,233
Number of internal parking units	21,649	-	21,649
Number of other units (without area)	80	6	86
Total Number of units	**133,713**	**-**	**133,713**
Residential Area (sq m)	6,262,481	-71,389	6,191,092
Commercial Area (sq m)	125,930	71,389	197,319
Total Area (sq m)	**6,388,411**	**-**	**6,388,411**

The majority of the re-allocations were made for units that are rented under a general lease contract („*Generalmietvertrag*"). Although the majority of these units are residential units, the contractual terms of the general lease contracts are more comparable to commercial lease contracts and therefore calculated as commercial units in our valuation. Further, CBRE has calculated commercial units with a lettable area of 0 sq m as other units (without area) according to a different calculation model.

1.8 Tenure (except Land)

3,599 assets are freehold-equivalent, and 608 assets are ground leasehold-equivalent with Vonovia as ground leaseholder. The average, unweighted leasehold term ends on 13 June 2063. The 608 ground leasehold assets account for 11.6% of the aggregated Fair Value of the portfolio.

1.9 Concept of Value

The assessment of Fair Value has been carried out by CBRE in accordance with the guidelines of the International Financial Reporting Standards (IFRS), the International Standards for the Valuation of Real Estate for Investment Purposes (International Valuation Standards), the RICS Valuation – Global Standards (effective from 31 January 2020) (Red Book) of the Royal Institution of Chartered Surveyors and in accordance with legal requirements, in particular the Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (as amended, the Prospectus Regulation) in connection with the Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 (as amended, the Delegated Regulation (EU) 2019/980) and the paragraphs 128 to 130 of the Euro-pean Securities and Market Authority (ESMA) update of the Committee of European Securities Regulators' (CESR) recommendations for the consistent implication of (EC) no. 809/2004.

The assets have been valued to "Fair Value" in accordance with IAS 40 in connection with IFRS 13.9 of the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), which is defined as:

"Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

"Fair Value", for the purpose of financial reporting under International Financial Reporting Standards is effectively the same as "Market Value", which is defined as:

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm´s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

We have valued the assets individually and no account has been taken of any discounts or premiums that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously, either in lots or as a whole.

We confirm that we have sufficient current local and national knowledge of the particular asset market involved and have the skills and understanding to undertake the valuation competently.

The assets have been valued by valuers who are qualified for the purpose of the valuation in accordance with the RICS Valuation – Global Standards (31 January 2020). Where the knowledge and skill requirements of the Red Book have been met in aggregate by more than one valuer within CBRE, we confirm that a list of those valuers has been retained within the working papers, together with confirmation that each named valuer complies with the requirements of the Red Book.

Note:

The valuation represents the figures that would appear in a hypothetical contract of sale at the valuation date. No allowances have been made for any expenses of realisation nor for taxation which might arise in the event of a disposal. Our valuations are net of purchasers' statutory and other normal acquisition costs. No account has been taken of any inter-company leases or arrangements, nor of any mortgages, debentures or other charge. No account has been taken of the availability or otherwise of capital-based Government or European Community grants. All rents and capital values stated in this report are exclusive of VAT.

The values stated in this report represent our objective and independent opinion of Fair Value in accordance with the definition set out above as at the valuation date. Amongst other things, this assumes that the assets had been properly marketed and that exchange of contracts took place on this date.

1.10 Currency

The currency used in the Valuation Report is Euro.

With regard to the assets in Hungary, the rents, costs, values etc. have been converted to EUR using the exchange rate published by fx-rate.net as at 31 December 2020 (1 € = 365 HUF (Hungarian Forint)).

1.11 Sources of Information

We have carried out our work based upon information supplied to us by the Company and their asset managers, which we have assumed to be correct and comprehensive.

The figures in this Report are based on the rent roll provided by the Company, dated 31 August 2020. The portfolio has been adjusted by the sold units delivered by the Company as at 31 December 2020.

A sample of documents provided, were checked for plausibility.

1.12 Place of Performance and Jurisdiction

German law applies. The place of performance and jurisdiction is Frankfurt am Main.

1.13 Assignment of Rights

The Addressee of the Valuation Report is not entitled to assign its rights - either in whole or in part - to third parties.

1.14 Declaration of Independence

We hereby confirm that to the best of our knowledge and belief CBRE GmbH has carried out the assessment of Fair Value in its capacity as an external valuer as defined by the RICS Valuation – Global Standards. We further confirm that CBRE is not aware of any actual or potential conflict of interest that might have influenced its independent status. This declaration also includes all other departments of CBRE GmbH, including the investment and agency departments.

The total fees, including the fee for this assignment, earned by CBRE GmbH from the Company are less than 2% of the total German revenues earned by CBRE GmbH in 2020. It is not anticipated that this situation will change in the financial year to 31 December 2021. We confirm that we do not have any material interest in Vonovia or the assets.

2 ASSET HOLDINGS – GERMANY

2.1 Description of the Portfolio Structure

The description and structure of the following parts of the portfolio as well as the structure of the tables and charts have been provided by the Company.

Vonovia has divided the portfolio into three parts:

Strategic

This portfolio will include locations which the Company considers to have development potential that is well above-average in general, where Vonovia intends to pursue a value-enhancing property management strategy. The strategic portfolio includes the "Operate", and "Investment" portfolio clusters:

Operate

Vonovia aims to achieve value generation in this part of the portfolio through rental growth, vacancy reduction, effective and sustainable maintenance spending and cost efficiencies through scale.

Investment

Vonovia aims to achieve a significant improvement in value with an extensive investment program, mainly in energy-efficiency of the buildings and by modernising apartments for senior living and completing high-standard refurbishments in markets where fully refurbished apartments deliver a rental premium.

Recurring Sales

Vonovia privatises apartments by offering them to tenants, owner-occupiers and investors. Vonovia aims to generate further value through the sale (privatisation) of owner-occupier units and single-family houses at a significant premium compared with their Fair Value.

Non-core Disposals

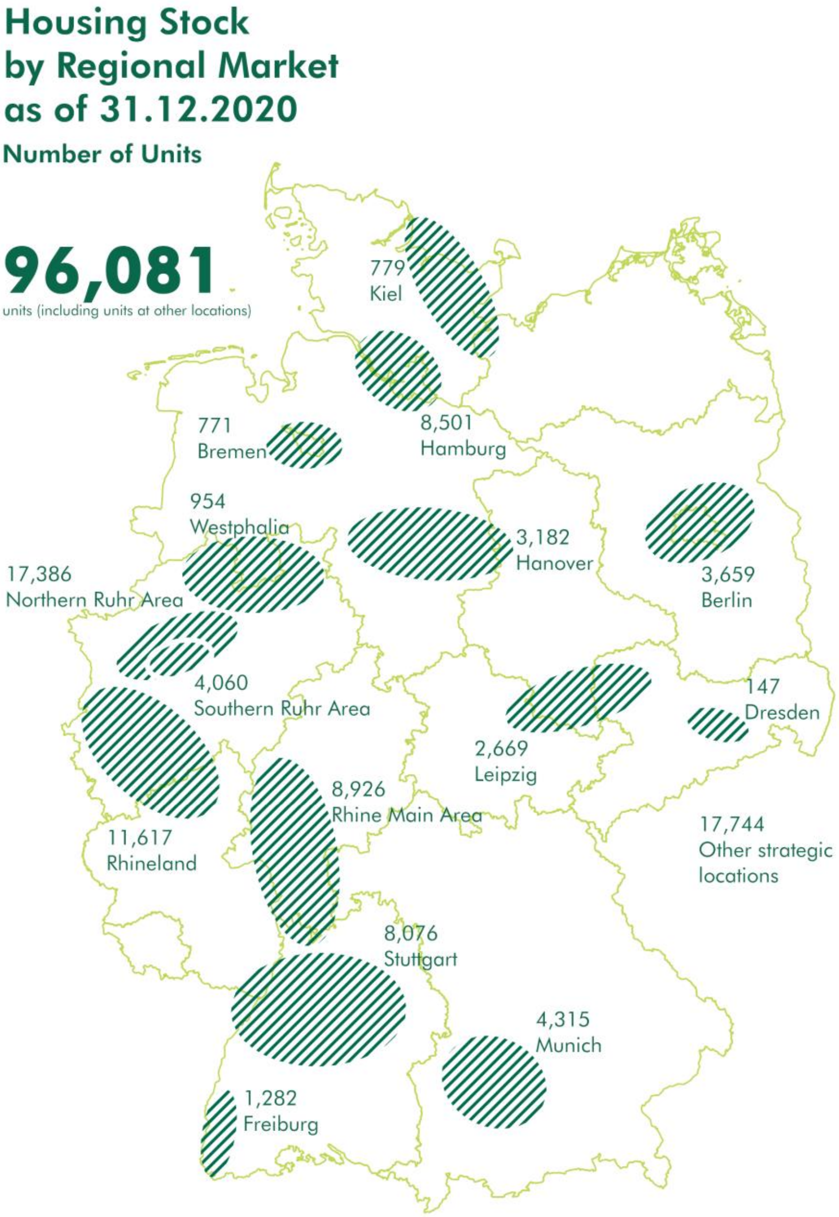
This portfolio focuses on properties for sale, which are not suited for privatisation. The buildings are sold to private and institutional investors. This portfolio includes properties, which do not fit (in the opinion of Vonovia) in terms of macro and micro location or development potential. Limited potential is defined, in particular, by below-average property condition combined with a location that is of similarly below-average quality.

2.2 Description of Regional Markets

Vonovia has divided the portfolio into 17 regional markets. The regional market classification is orientated toward the residential real estate market regions in Germany. These markets are core towns/cities and their surrounding metropolitan areas that are largely similar in terms of the supply of real estate and the real estate market, both at present and in the forecasts. They are also the markets that especially benefit from domestic migration. This definition of the real estate market regions is based on the definition developed by the German Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR). Where local real estate markets show overlaps, Vonovia has grouped them together.

2.3 Geographic Allocation

The following map shows the geographical allocation of residential units based on regional markets, as described in Part 2.2 above. It should be noted that "Berlin", "Bremen", "Dresden", "Freiburg", "Hamburg", "Hanover", "Kiel", "Leipzig", "Munich" and "Stuttgart" refer to surrounding locations of these cities only; none of the subject assets is located in the corresponding cities.



2.4 Portfolio Breakdown

The German portfolio of the Subject Assets of Vonovia consists of 96,081 residential units, 2,664 commercial units and 34,968 miscellaneous rented units (internal and external parking units, antennas) with a total lettable area of 6,388,411 sq m.

The following table shows the breakdown of the residential part of the portfolio by strategic portfolio, as described in Part 2.1 above.

	Residential						
	Units	Area	Vacancy		Current Annual Rental Income (gross)		Market Rent*
		in sq m	% of Units	% of Area	Total in EUR	EUR per sq m per month	EUR per sq m per month
Operate	33,239	2,141,353	5.1%	5.1%	175,119,952	7.18	7.73
Invest	54,334	3,476,420	1.4%	1.4%	280,868,205	6.83	7.87
Strategic	**87,573**	**5,617,773**	**2.8%**	**2.8%**	**455,988,157**	**6.96**	**7.82**
Recurring Sales	7,888	533,898	2.7%	2.8%	42,930,512	6.90	7.65
Non-core Disposals	620	39,421	10.2%	11.4%	2,319,940	5.54	6.29
Total	**96,081**	**6,191,092**	**2.9%**	**2.9%**	**501,238,609**	**6.95**	**7.79**

*The Market Rent only includes the rented residential units.

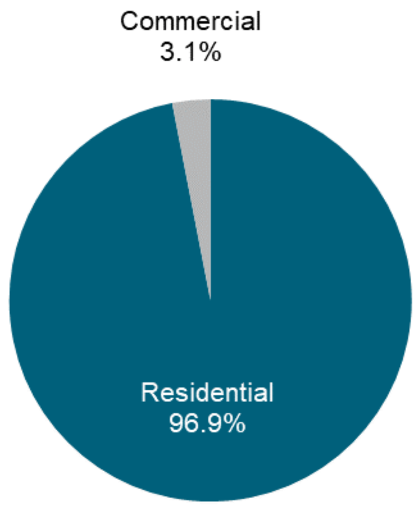
The following table shows the breakdown of the residential part of the portfolio per regional market. See 2.3 above regarding the regional markets, that are named after a city.

Regional Market	Residential						
	Units	Area	Vacancy		Current Annual Rental Income		Market Rent*
		in sq m	% of Units	% of Area	Total in EUR	EUR per sq m per month	EUR per sq m per month
Northern Ruhr Area	17,386	1,079,230	3.3%	3.3%	73,875,712	5.90	6.51
Rhineland	11,617	758,382	2.9%	2.8%	61,387,112	6.94	7.79
Rhine Main Area	8,926	583,641	2.6%	2.6%	52,713,109	7.73	8.72
Hamburg	8,501	537,828	2.1%	2.0%	43,704,933	6.91	7.95
Stuttgart	8,076	534,177	2.0%	2.0%	48,933,689	7.79	8.66
Munich	4,315	283,462	2.0%	1.9%	29,014,456	8.69	10.01
Berlin	3,659	249,669	1.9%	1.9%	21,442,594	7.30	8.38
Hanover	3,182	205,430	1.9%	2.0%	15,892,046	6.58	7.21
Leipzig	2,669	164,613	2.7%	3.0%	12,960,942	6.76	7.31
Freiburg	1,282	91,448	2.7%	2.7%	8,088,310	7.58	8.54
Bremen	771	44,210	5.8%	5.7%	3,122,282	6.24	7.10
Westphalia	954	62,041	2.5%	2.4%	4,953,680	6.82	7.60
Kiel	779	51,741	1.5%	1.5%	3,980,834	6.51	7.58
Bremen	771	44,210	5.8%	5.7%	3,122,282	6.24	7.10
Dresden	147	8,514	4.8%	4.0%	531,909	5.42	6.25
Other Strategic Locations	17,744	1,149,161	3.5%	3.5%	92,777,732	6.97	7.81
Total strategic locations	**90,779**	**5,847,758**	**2.8%**	**2.8%**	**476,501,622**	**6.99**	**7.84**
Non-Strategic Locations	5,302	343,334	3.9%	4.2%	24,736,988	6.27	6.91
Total	**96,081**	**6,191,092**	**2.9%**	**2.9%**	**501,238,609**	**6.95**	**7.79**

*The Market Rent only includes the rented residential units.

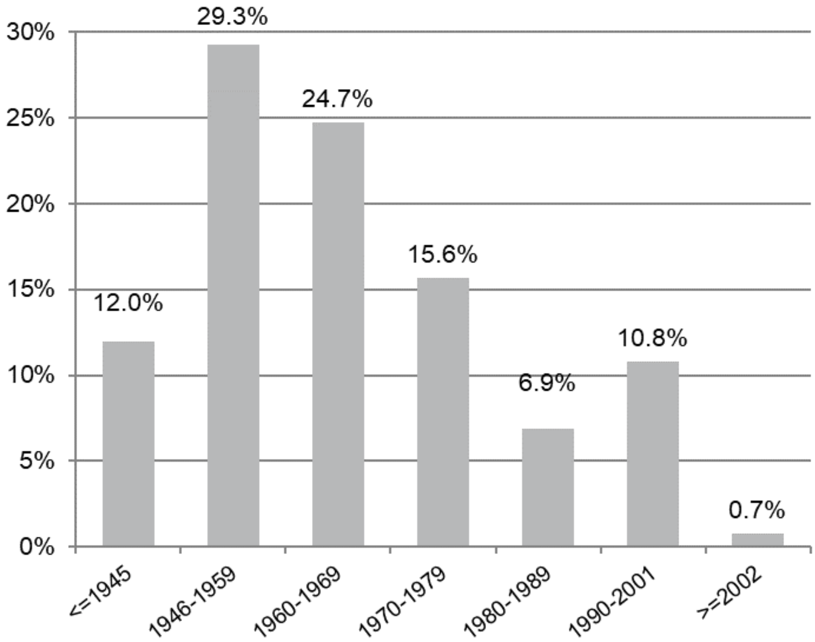
2.5 Breakdown of Rental Units with Lettable Area by Type of Use

In total, as at 31 December 2020 the portfolio of the Subject Assets of Vonovia included 17,621 buildings within 3,519 assets with a total of 133,713 rental units (thereof 96,081 residential and 2,664 commercial units). The total lettable area is 6,388,411 sq m, of which 6,191,092 sq m is residential (96.9%) and 197,319 sq m commercial (3.1%).



2.6 Breakdown of Lettable Area (Residential) by Age of Building

The portfolio assets have a wide range of dates of construction.



2.7 Vacancy Rate

The total vacancy rate at portfolio level weighted by area is 3.1%.

The residential vacancy rate at portfolio level weighted by area is 2.9%.

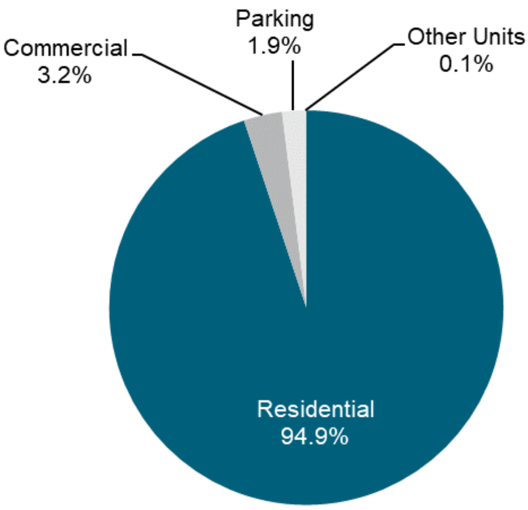
The residential vacancy rate at portfolio level weighted by units is 2.9%.

The EPRA residential vacancy rate at portfolio level is 2.8%.

2.8 Breakdown of Current Annual Rental Income (gross) by Type of Use

At the date of the rent roll of 31 August 2020 (adjusted by units sold as at 31 December 2020), the current annual rental income (gross) was 528,328,878 €. Approximately 94.9% of the current annual rental income (gross) is generated from the residential units in the portfolio; residential units subject to public subsidy account for 9.8% of the portfolio´s total current annual rental income (gross).

Commercial uses (retail, office and other commercial) account for about 3.2% of the current annual rental income (gross). The 34,882 internal and external parking units generate approximately 1.9%. Income from other units (e.g. antennas) has only relatively low significance of 0.1% at portfolio level.



2.9 Land Germany

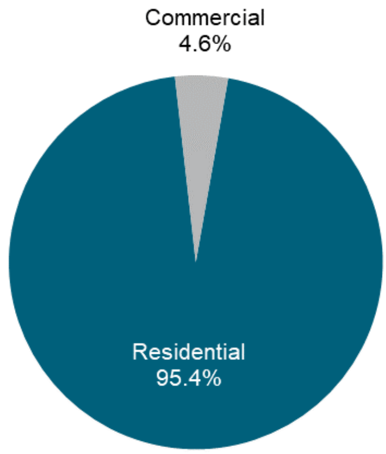
The Land portfolio of the German Subject Assets of Vonovia consists of 123 freehold assets with a total area of 605,601 sq m and 5 plots held on a ground lease with an area of 23,412 sq m.

Please refer to Part 4.2.4 “Land Approach - Germany” for the explanation of the valuation methods.

3 Asset Holdings – Abroad

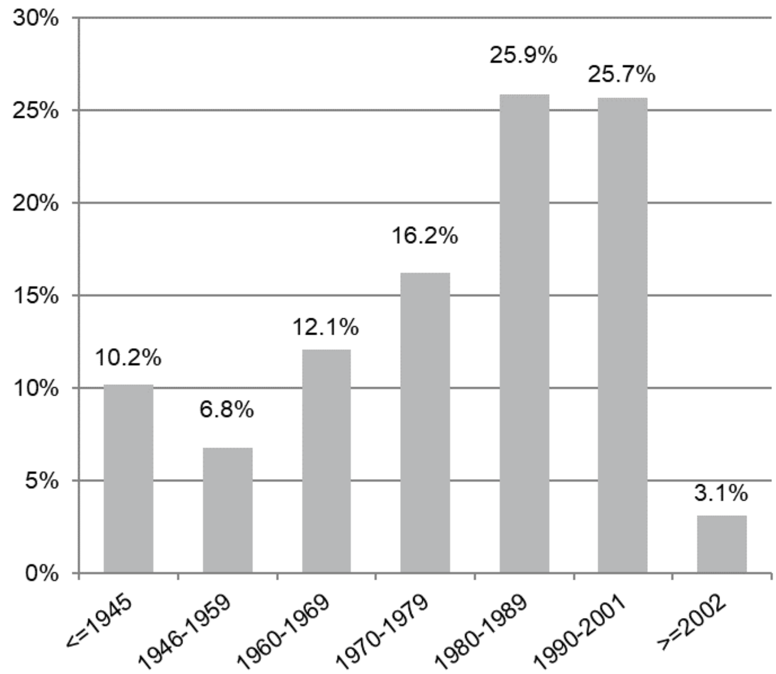
3.1 Breakdown of Rental Units with Lettable Area by Type of Use

In total, as at 31 December 2020 the portfolio of the Subject Assets of Vonovia included 685 assets in Austria and 3 assets in Hungary with a total of 24,478 rental units (thereof 13,666 residential in Austria, 158 commercial units in Austria and 13 commercial units in Hungary).
The total lettable area is 1,024,483 sq m, of which 977,704 sq m is residential (95.4%) (all in Austria) and 46,779 sq m commercial (4.6%), thereof 39,178 sq m in Austria and 7,602 sq m in Hungary.



3.2 Breakdown of Lettable Area (Residential) by Age of Building

The portfolio assets have a wide range of dates of construction.



3.3 Vacancy Rate

The total vacancy rate at portfolio level weighted by area is 5.2%.

The residential vacancy rate at portfolio level weighted by area is 4.3%.

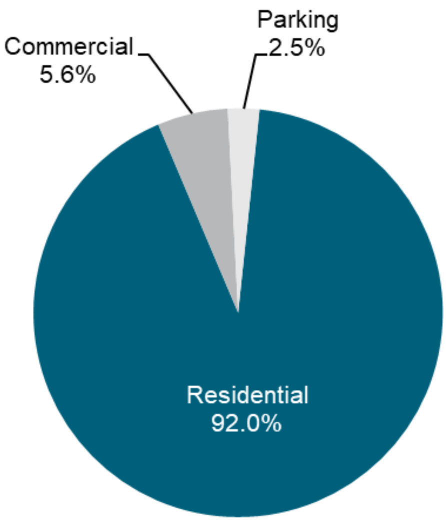
The residential vacancy rate at portfolio level weighted by units is 4.4%.

The EPRA residential vacancy rate at portfolio level is 4.0%.

3.4 Breakdown of Current Annual Rental Income (gross) by Type of Use

At the date of the rent roll of 31 August 2020 (adjusted by units sold as at 31 December 2020), the current annual rental income (gross) was 51,419,249 €[4]. Approximately 92.0% of the current annual rental income (gross) is generated from the residential units in the portfolio of the Subject Assets.

Commercial uses (retail, office and other commercial) account for about 5.6% of the current annual rental income (gross). The 10,641 internal and external parking units generate approximately 2.5%.



3.5 Breakdown of Current Annual Residential Rental Income (gross) by Type of Rent (Austria)

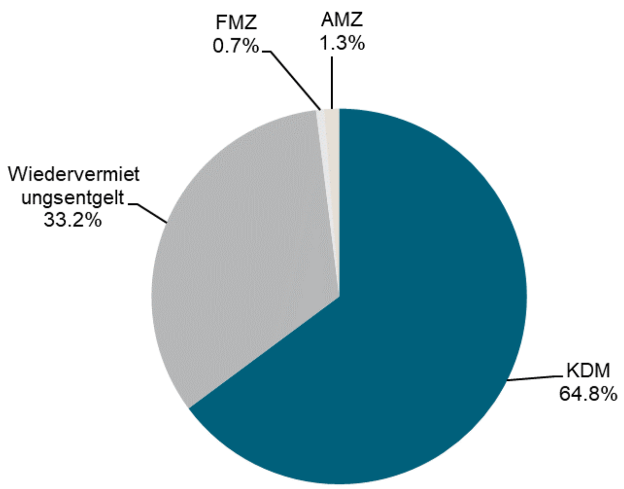
In the subject portfolio of the Subject Assets, 99.6% of all residential lettable area is subject to public subsidies with regulated rents. There are four different types of rents in the Austrian system of publicly-subsidised, regulated housing:

- *"Kostendeckende Miete"* (KDM - literally "cost-covering rent", i.e. economic rent). In the subject portfolio the KDM accounts for 64.8% of the entire current annual residential rental income (gross).

[4] The rents in Hungary are payable in HUF. Within this valuation we converted the rents in EUR using the FX-Rate as at 31 December 2020 (1 € = 365 HUF).

- *"Wiedervermietungsentgelt"* ("re-letting payment", replacing *"Burgenländischer Richtwert"* (BRW)). The *"Wiedervermietungsentgelt"* is 1.87 € per sq m p. a. and is indexed according to *"Verbraucherpreisindex"* (consumer price index) every second year, starting 1 April 2018. In the subject portfolio the "*Wiedervermietungsentgelt*" accounts for 33.2% of the entire current annual residential rental income.
- *"Angemessene Miete"* (AMZ – "reasonable rent"). This is determined for residential accommodation that has ceased to benefit from public subsidy. The rules correspond to those for "*Freie Mietzins*" (see below). In the subject portfolio the AMZ accounts for 1.3% of the entire current annual residential rental income.
- *"Hausbesorgerwohnungen"* (Caretakers' apartments). None of the subject residential units belongs to this category.

In addition to the four types of restricted residential rent, there is the unregulated *"Freier Mietzins"* (FMZ - open-market rent). It is restricted only by the general provisions of Austrian landlord and tenant law. In the subject portfolio the FMZ accounts for 0.7% of the entire current annual residential rental income.



For further information please refer to sections 4.2.2 "Discounted Cash Flow (DCF) - Austria", 4.2.3 "Hardcore and Froth Approach – Hungary" and 4.5 "Valuation Parameters – Abroad".

3.6 Land Abroad (Austria)

The Land portfolio of the Subject Assets abroad of Vonovia consists of 14 freehold assets in Austria with a total area of 42,738 sq m.

Please refer to Part 4.2.5 "Land Approach - Austria" for the explanation of the valuation methods.

4 EXPLANATION OF VALUATION

4.1 Inspections

4.1.1 Basis for Inspections

In accordance with the Company's instruction, the valuation of the assets has been carried out individually on an asset level. For the purpose of the inspections we amalgamated the assets into homogeneous clusters. The cluster criteria were location and situation, type of assets and date of construction.

- LOCATION/SITUATION: all assets in a single inspection cluster must be part of one housing estate or – if they are individual buildings – must be situated in the same neighbourhood,

- TYPE OF ASSETS: These were mainly differentiated into

  A) Detached/Semi-detached houses

  B) Apartment buildings

  C) Commercial assets, such as office buildings, business and retail assets, mixed-use assets with a proportion of commercial value greater than 20%

- DATE OF CONSTRUCTION**:** The categories of construction date were defined as follows:

  1945 and earlier
  1946 to 1959
  1960 to 1969
  1970 to 1979
  1980 to 1989
  1990 to 2001
  2002 onwards

For the inspections, a reference asset was selected from each cluster, on the basis of the desktop analysis and the information available.

During our inspections, we verified that each of the buildings of the valuation clusters were internally consistent and checked whether adjoining buildings had homogeneous characteristics that could enable them to be amalgamated.

Internal and external parking units and other rent-earning units such as antennas are part of a building unit, except if they are economically independent units.

At cluster level, we made an assessment of the situation ("micro location"), the quality level according to the local rental table, the condition of the buildings (asset score) and the typical condition of the apartments, as a basis of our allowances for regular maintenance and tenant improvement costs.

At asset level, the basis of valuation calculations, we took individual account of asset-specific parameters such as administration costs, structural vacancy, current rent, market rent, public subsidy (if any), ground leases (where appropriate) and relevant entries in section II of the land register.

4.1.2 Inspection Dates and Coverage

CBRE has inspected all the assets in the course of previous valuation instructions. In 2020, CBRE inspected 408 inspection clusters, which include 538 valuation units, of which 354 clusters were in Germany and 54 in Austria. The assets were inspected between March and November 2020. The Company has confirmed that they are not aware of any material changes to the physical attributes of the assets, or the nature of their location, since the last inspection, except for those assets that were marginally modernized between 2012 and 2020 and not re-inspected.

Inspection clusters: the following table shows the breakdown of the inspection clusters which were components of the portfolio as at the dates of the rent roll (31 August 2020):

Total					
Cluster					
Year of Inspection	Total	External Inspection	Percentage of Current Annual Rental Income (gross)	Internal Inspection	Percentage of Current Annual Rental Income (gross)
2011-2017	1,982	1,930	40.3%	52	1.8%
2018	289	280	21.3%	9	1.2%
2019	471	447	15.3%	24	4.9%
2020	408	407	14.9%	1	0.4%
Gesamt	**3,150**	**3,064**	**91.8%**	**86**	**8.2%**

The table above shows the current proportional distribution of external (91.8%) and internal (8.2%) inspections. Within previous valuations a significant higher share of the inspection clusters was inspected internally by CBRE. Several of these internal inspections have been replaced by external re-inspections within subsequent valuations. The table shows only the last inspection type per inspection cluster.

Approximately 45.4% (weighted by Fair Value) of the undeveloped land was inspected in 2018 and 2020.

During the inspections, the homogeneity of the defined clusters was checked for plausibility, if necessary, the clustering was amended, and a re-inspection was carried out.

4.2 Method of Valuation

4.2.1 Discounted Cash Flow (DCF) - Germany

The determination of the Fair Value of the individual assets has been carried out using the internationally recognised Discounted Cash Flow (DCF) method. This method, which is based on dynamic investment calculations, allows valuation parameters to be reflected explicitly and, therefore, provides a transparent arithmetical determination of Fair Value. In the DCF method, the future income and expenditure flows associated with the subject asset are explicitly forecasted over a 10-year period of detailed consideration, assuming a letting scenario which is not taking into account any potential privatisations of individual apartments. The cash flows calculated for the period of detailed consideration are discounted, monthly in advance, to the date of valuation, allowing the effect on the current Fair Value of the receipts and payments at varying dates during the 10-year period to be properly reflected.

The discount rate chosen reflects not only the market situation, location, condition and letting situation of the asset and the yield expectations of a potential investor but also the level of security of the forecast future cash flows. As the discounting process means that the effect of future cash flows reduces in importance while at the same time the uncertainty of forecasting tends to increase over time, it is usual in real estate investment considerations for the sustainable net rental income after a ten-year time horizon (the period of detailed consideration) to be capitalised, using a growth-implicit yield, and then discounted to the date of valuation.

The assumptions adopted in the valuation model reflect the average estimates that would be made at the respective date of valuation by investors active in the market. The result of the DCF method is, therefore, the price that a relevant investor in the market would be prepared to pay for the asset at the respective date of valuation, in order to achieve a return from the proposed investment that is in line with present asset market expectations.

4.2.2 Discounted Cash Flow (DCF) - Austria

In order to reflect the specific requirements for the valuation of the Austrian Assets properly, including for instance the long-term subsidies, changes in interest rates and the proceeds of privatisation achievable in the long term, for the purposes of the present valuation of the residential properties we have adopted an 80-year period of detailed consideration (cashflow period).

The cash flows calculated for each year of the period of detailed consideration are discounted, annually in arrears, to the date of valuation, allowing the effect of the receipts and payments at varying dates during the period to be properly reflected in the Fair Value at the date of valuation.

The discount rate chosen reflects not only the market situation and/or the yield expectations of a potential investor but also the uncertainty involved in the forecasting of future cash flows.

The CBRE DCF model reflects the particular characteristics of the residential portfolio, which is partly publicly subsidised but also has possibilities for subdivision into condominiums and individual privatisation; the four different systems for determining rent for the residential accommodation, with different statutory provisions; and the possibility that, on a change of tenant, an apartment could change from one method of determining rent, e.g. cost-covering rent, to another, such as the re-letting payment or reasonable rent.

4.2.3 Hardcore and Froth Approach - Hungary

We have carried out a traditional Hardcore and Froth approach valuation using software of ARGUS Enterprise. The basis for the valuation is traditional methodology, taking into account the current income stream and ERV, discounting the froth rent (over-renting) where applicable at a higher yield until the lease expiry. This approach fits the market in Central Europe particularly where rents tend to be indexed upwards annually in line with inflation in the opposite direction to the trend for ERVs, particularly at this point in the market cycle. Voids, costs and capex are also taken into consideration in the calculation.

4.2.4 Land Approach - Germany

For the purpose of the valuation, the assets have been assigned to one of the following categories, based on the information provided by the Company or gained during discussions with the local authorities:

A) Future Development

- land capable of development ("*Baureifes Land"*); zoned for development, with public roads and utilities infrastructure
- unserviced land zoned for development ("*Rohbauland"*)
- land with hope value for development ("*Bauerwartungsland"*)

B) Other

- Woodland, agricultural land ("*Forst- und Agrarland"*) and gardens

The land assets in the portfolio were valued on the basis of their status as at the valuation date using two different valuation methods:

Comparison method ("*Vergleichswertverfahren*")

Land capable of development ("*Baureifes Land"*) as well as woodland, agricultural land ("*Forst- und Agrarland"*) and gardens was valued using the comparison method.

The official "*Bodenrichtwert"* (guideline land value) was used for each asset or, if it was not available, the valuation was based on local comparables. Using our professional judgement, we have applied adjustment factors in accordance with individual asset characteristics in determining the site value e.g. micro location, layout, plot size and/or planed plot ratio (GFZ – only for the development sites). If infrastructure costs were outstanding or could be expected to be payable on individual sites, these were deducted.

Deductive valuation approach for potential building land by Walter Seele[5]

Land with hope value for development ("*Bauerwartungsland"*) and unserviced land zoned for development ("*Rohbauland"*) was valued using the deductive valuation approach according to *Seele*.

According to the Seele approach, the prices for potential building land are determined not only by prices of comparable land capable of development ("*Baureifes Land"*) and the waiting period. They are also dependent on the proportion of land that needs to be developed ("*Erschließungsflächenanteil"*) and the development costs.

The approach has been recommended for application by the "GIF" (society for real estate economic research) in Germany.

We would draw your attention to the fact that the market for the above-mentioned types of Land (Type A) is relatively small and the development of this type of Land often depends on decisions made by local or municipal authorities such as planning authorities (*Bauplanungsämter*), which leads to a lack of comparable evidence and in a greater uncertainty of our valuation assumptions. It should be noted that the price which can be achieved for development land (in any of the above categories) is extremely sensitive to minor changes to any of a number of factors, including statutory consents, timing, availability and cost of development finance, construction costs and market movements and therefore may differ from the Fair Value. We would therefore recommend that the situation and the valuations are kept under regular review.

Financial mathematics method ("*Finanzmathematische Methode*")

The value of the Company's leasehold land was calculated by using the following method:

The value of the leasehold land consists of:

- present value of the unencumbered land (discounted over the running-time)
- present value of the received ground lease earnings (discounted over the running-time)

Using our professional judgement, we have applied adjustment factors in accordance with individual asset characteristics in determining the unencumbered land value.

If applicable, adjustment factors are applied on the value of the leasehold land to take the individual market situation and special elements of the contract into account.

[5] Source: Seele, 1998, Bodenwertermittlung durch deduktiven Preisvergleich, Zeitschrift Vermessungswesen und Raumordnung

4.2.5 Land Approach - Austria

The comparison value is deduced from an adequate number of sales prices of comparable assets/condominiums/part-ownerships in the surroundings of the subject asset. Sales prices of assets in comparable locations can be consulted if there are not enough sales prices available in the subject property's surrounding area. Adjustments based on i.e. indices or conversion factors due to market development and differences of site characteristics have to be conducted.

4.3 General Valuation Assumptions

We have made various assumptions as to tenure, letting, town planning, and the condition and repair of buildings and sites – including ground and groundwater contamination – as set out below.

If any of the information or assumptions on which the valuation is based are subsequently found to be incorrect, the valuation figures should be reconsidered.

No special assumptions (as defined by RICS)[6] have been made.

4.3.1 Constituents of the Subject Assets

Fixtures in the subject assets, such as passenger and goods lifts, other conveyor installations, central heating installations and other technical installations have been regarded as integral parts of the subject asset and are included within our valuation. Tenant's fixtures and fittings that would normally be the asset of the tenant have not been reflected in our valuation.

4.3.2 Structural investigations

We have not carried out building surveys, tested services, made independent site investigations, inspected woodwork, exposed parts of the structure which were covered, unexposed or inaccessible, nor arranged for any investigations to be carried out to determine whether or not any deleterious or hazardous materials or techniques have been used, or are present, in any part of the assets. We are unable, therefore, to give any assurance that the assets are free from defect. We were provided with the information, that building parts (e.g. façade, roofing) of the following assets in Germany may be contaminated with asbestos:

Assets	ZIP	City	Address
44025	73079	Süßen	Rechbergstr. 20
44027	71732	Tamm	Ludwigsburger Str. 28, 30, 32/1, 34/1
44059	72072	Tübingen	Eisenbahnstr. 18, 20
44769	72072	Tübingen	Hegelstr. 23/1, 23/2
63091	15831	Jühnsdorf	Dorfstraße 15a-d, 20, 20a, b, 21, 21a
63092	16515	Oranienburg	Albert-Buchmann-Str. 2-10 even
63115	14513	Teltow	Potsdamer Str. 25-29 odd, 31a, b
63116	14542	Werder	Marktstr. 1, 1a-f, 2, 2a-e; Aprikosenweg 1-7; Obstzüchterstr. 5; Auf dem Strengfeld 3, 3a, d-f
63117	14974	Ludwigsfelde	Hirschweg 14-22 even; 34-42 even

To reflect this, we have increased the discount and capitalisation rate by 25 bps.

According to the information we were provided with, 1,157 assets are contaminated with asbestos (Floor-Flex).

[6] An assumption that either assumes facts that differ from the actual facts existing at the valuation date, or that would not be made by a typical market participant in a transaction on the valuation date (e.g. fully let)

Within our valuation we have taken into account the lump sum provided of 21,492,694 € for renovation and disposal.

In the absence of any information to the contrary, we have assumed that:

- there are no abnormal ground conditions, nor archaeological remains, present which might adversely affect the current or future occupation, development or value of the assets;
- the assets are free from rot, infestation, structural or latent defect;
- no currently known deleterious or hazardous materials or suspect techniques, including but not limited to composite panelling, have been used in the construction of, or subsequent alterations or additions to, the assets and
- the services, and any associated controls or software, are in working order and free from defect.

We have otherwise had regard to the age and apparent general condition of the assets. Comments made in the property details do not purport to express an opinion about, or advises upon, the condition of uninspected parts and should not be taken as making an implied representation or statement about such parts.

4.3.3 Accommodation

We have not measured the assets but have relied upon the floor areas provided. We have not checked these on site.

We have verified a random sample and relied upon the other areas shown in the tenancy schedules and the additional information provided by the Company for the valuation for the IPO in 2013 and the additional valuations mentioned in the preamble. Within the update valuations we have been reviewed further random samples.

Unless advised specifically to the contrary, we have made the assumption that the floor areas supplied to us for the assets in Germany have been calculated mainly in accordance with "*II. Berechnungsverordnung"*, for the assets in Austria in accordance with *"ÖNORM B 1800"* and for the Hungarian assets in accordance with the RICS International Property Measurement Standards (IPMS). All areas quoted in this Valuation Report are approximate.

4.3.4 Environmental contamination and soil conditions

We have not undertaken, nor are we aware of the content of, any environmental audit or other environmental investigation or soil survey which may have been carried out on the assets and which may draw attention to any contamination or the possibility of any such contamination.

We have not carried out any investigation into the past or present uses of the assets, nor of any neighbouring land, in order to establish whether there is any potential for contamination and have therefore assumed that none exists.

<u>Soil contamination:</u>

We were provided with information concerning soil contamination by the Company.

For one asset, the Company provided us with a cost estimation as follows:

Assets	ZIP	City	Address	Amount in EUR
42007	14471	Potsdam	Forststr. 73-78	58,810

Based on the information we were provided with we have assumed that for the remaining assets there is no material influence on value of single assets due to the suspicion of soil contamination.

Mining subsidence:

In accordance with our instructions and scope of work, for the purposes of this valuation, we have not conducted or given instructions for any more detailed investigations concerning mining subsidence.

We have been provided with information by the Company concerning potential costs which may arise from mining for 19 assets in Germany with a total amount of 1,534,000 €. We have deducted this sum at individual asset level.

General:

In the absence of any further information to the contrary, we have assumed that:

- the assets are not contaminated and are not adversely affected by any existing or proposed environmental law,
- any processes which are carried out on the assets which are regulated by environmental legislation are properly licensed by the appropriate authorities.

Should it be discovered, subsequent to our valuation, that contamination exists on any of the subject properties and/or on adjoining or nearby properties or that uses capable of causing contamination have been carried out in any of the subject properties, this could have a detrimental effect on the value of the subject property concerned.

We have assumed that either the assets possess current Energy Performance Certificates as required under Government Directives or Vonovia can present the documents if required.

4.3.5 Title and Tenancies

Details of title/tenure under which the assets are held and of lettings to which it is subject are as supplied to us. We have not generally examined nor had access to all the deeds, leases or other documents relating thereto. Where information from deeds, leases or other documents is recorded in this report, it represents our understanding of the relevant documents without obtaining separate legal advice.

Unless stated otherwise within this report and in the absence of any information to the contrary, we have assumed that:

- the assets possess a good and marketable title free from any onerous or hampering restrictions or conditions;
- only minor or inconsequential costs will be incurred if any modifications or alterations are necessary in order for occupiers of each assets to comply with the provisions of the relevant disability discrimination legislation;
- there are no tenant's improvements, others than those mentioned in 4.4.4, that will materially affect our opinion of the rent that would be obtained on review or renewal;
- where appropriate, permission to assign the interest being valued herein would not be withheld by the landlord where required and
- vacant possession can be given of all accommodation which is unlet or is let on a service occupancy (except structural vacancy).

We have not been provided with Legal Due Diligence Reports by the Company.

In accordance with our valuation instructions, our determination of Fair Value is based on the information provided to us, which also applies to rented accommodation, tenancies, current rental income, remaining lease terms and other lease conditions.

In the absence of any information to the contrary, we have assumed that:

I. all the subject assets are either held freehold-equivalent (complete or partial) by the subsidiaries of the Company or, in the case of a ground lease (*"Erbbaurecht"*), are held for a limited term;

II. all the subject assets together with encumbrances and restrictions in section II of the land register have been correctly registered in the land register.

Mortgages or other liabilities that currently exist or that in the future might affect one or more of the subject assets have not been taken into account.

Redevelopment areas:

We have been provided with the information that following assets in Germany are located in redevelopment areas. As compensation payments may occur for these assets, we have increased the discount rate by 25 bps to reflect this. The assets are shown in the table below.

Assets	ZIP	City	Address
60095	73733	Esslingen	Weinstr. 1-5 odd
60171	71634	Ludwigsburg	Rosenackerweg 40-44
63118	16515	Oranienburg	Bernauer Str. 41
63087	07749	Jena	Beutnitzer Str. 2, 4
63062	99085	Erfurt	Theo-Neubauer-Str. 12
63060	99084	Erfurt	Müllersgasse 15

4.3.6 Pending Litigation, Legal Restrictions (Easements on Real Estate, Rent Regulations etc.)

In accordance with the information provided by the Company, we have assumed, without verification, that the assets are free from any pending litigation, that the ownership is unencumbered and that there are no other legal restrictions such as easements on real estate, rent regulations, restrictive covenants in leases or other outgoings that might adversely affect value.

4.3.7 Monument Protection

Based on the information provided to us by the Company, 4.4% (by number of assets) of the assets (representing 3.7% of the Fair Value aggregated on portfolio level excluding the Land) are listed monuments.

4.3.8 Tenants

We have not conducted credit enquiries on the financial status of any tenants. We have, however, reflected our general understanding of purchasers' likely perceptions of the financial status of tenants.

In the absence of information to the contrary, we have assumed that there are no significant rent arrears.

4.3.9 Taxes, Contributions, Charges

We have assumed that all public taxes, contributions, charges etc. which could have an effect on value will have been levied and, as far as they are due, paid as at the date of valuation.

4.3.10 Insurance Policy

We have assumed that the subject assets are covered by a valid insurance policy that is adequate both in terms of the sum assured and the types of potential loss covered.

4.3.11 Legal Requirements / Authorisation for the Existence and Use of the Subject Assets

No investigations of the compliance of the individual subject assets with legal requirements (including (permanent) planning consent, building permit, acceptance, restrictions, building-, fire-, health- and safety regulations etc.) or with any existing private-law provisions or agreements relating to the existence and use of the site and building have been carried out.

In carrying out our valuations, we have assumed that all necessary consents and authorisations for the use of the assets and the processes carried out at the assets are in existence, will continue to subsist and that they are not subject to any onerous conditions.

4.3.12 Town Planning and Road Proposals

We have not undertaken planning enquiries but have relied upon the information provided where appropriate. For the purposes of our valuation we assume that there are no adverse town planning, highways or other schemes or proposals that will have a detrimental effect on our valuations.

4.3.13 Assumptions Regarding the Future

For the purpose of determining the Fair Value of the subject assets, we have assumed that the assets will continue in their existing use.

4.3.14 Owner-Occupied Assets

Normally, owner-occupied assets were valued on the basis of vacant possession. We have checked the existing lease contracts in comparison to the current market rental level. If the current contract is rack-rented, we have assumed remaining lease contracts in average of approximately 3.5 years. Otherwise we assumed a termination of the existing contract within the next four months.

4.4 Valuation Parameters - Germany

The assessment of Fair Value is based on future cash flows, which reflect normal market expectations taking into account past figures from the subject assets or comparable investments. The valuation parameters have been assessed by CBRE, using its best judgement, based on the information provided by the Company.

4.4.1 Non-Recoverable Management Costs

Residential leases generally involve non-recoverable management costs. For the purposes of this valuation and on the basis of experience of CBRE and an analysis of costs of public and private housing associations, non-recoverable management costs have been allowed for at between 200 € and 285 € per residential unit p.a. (depending on the number of residential units in the individual building). We have allowed 350 € p.a. for each residential unit in buildings that are undergoing privatisation, according to the Condominium Act ("*Wohneigentumsgesetz" - WEG*).

For the asset in Dieburg (VU 22169) we have allowed 450 € per residential unit p.a.

The weighted average non-recoverable management costs amount to 259 € per residential unit p.a.

For the commercial units, we have allowed non-recoverable management costs of 3% of the gross rental income on potential rent.

4.4.2 Non-Recoverable Repair and Maintenance Costs

The annual costs per square metre of lettable area adopted for the purposes of this valuation are average figures for the types of use concerned, arrived at on the basis of experience by CBRE and the analysis of costs of similar buildings by third-party firms. They take into account the necessary cost inputs for long-term operation of the assets. The maintenance and repair costs allowed for in the valuation are between 6.50 € per sq m p.a. and 12.75 € per sq m p.a., with a weighted average of 9.12 € per sq m p.a. depending on the age and condition of the building concerned. The existence of a lift system is taken into account with an additional 1.25 € per sq m p.a. For listed monuments, we assumed an increase of ongoing maintenance costs of 10%.

4.4.3 Capital Expenditure and other Factors affecting Value

In addition to the non-recoverable ancillary costs, which are deducted monthly from the gross rental income during the period of detailed consideration, capital expenditure on repair and maintenance work already planned at the date of valuation has also been reflected. CBRE has not undertaken technical surveys.

For this valuation, we were provided with short-, medium- and long-term capital expenditure Costs (CapEx) by the Company for 633 assets. To reflect the short-term costs, we have deducted the running maintenance costs from year 1 from the short-term CapEx Costs provided and have taken the resultant amount into account (Year 1). Regarding the medium- and long-term costs, we estimated 75% of the provided costs as CapEx and took these amounts into account in Year 3 (medium-term) and in Year 7 (long-term).

For the purposes of our valuation we have assumed total costs of rectifying the current maintenance backlog of 106,410,485 € for 613 assets. For all other assets, the running maintenance costs of year 1 cover the CapEx Costs provided.

The CapEx Costs are distributed as follows over the strategic portfolios: Operate (29%), Invest (60%), Recurring Sales (8%) and Non-Core Disposals (3%).

4.4.4 Tenant Improvements

Under German law, it is frequently the tenant's responsibility to carry out decorative and minor repairs. Upon a change in tenants, however, additional expenses for basic repairs and renovation of the interior of the individual rental units must be incurred, e.g. in the bathrooms of residential units, to facilitate renewed letting. For each of the buildings, based on current market experience and the average condition of the apartments, we have allowed amounts for initial refurbishments and/or on tenant fluctuation ranging from 5 to 130 € per sq m with an overall weighted average of 62 € per sq m for residential accommodation.

Maintenance costs and costs for tenant improvement for residential area sum up to 15.20 € per sq m p.a.

4.4.5 Non-Recoverable Operating Costs (Vacancy)

Based on an analysis by the German Tenants' Association we have reflected non-recoverable operating costs on vacant residential space at a flat rate of 24 € per sq m p.a. and for vacant commercial space of 12 € per sq m p.a. This includes, for example, heating costs for a minimal level of heating, costs for caretaker or security services and electricity and cleaning costs.

4.4.6 Inflation

The DCF method used includes an explicit reflection of inflation forecast at 1.6% in year 1, 2.0% in year 2 and 2.0% in the following years. Full allowance for inflation has been made for maintenance and repair costs, management and operating costs and ground rents (*Erbbauzinsen*). Inflation rates forecasts were provided by CBRE Research, as at August 2020. The sources are Consensus Forecast and ECB.

4.4.7 Discount Rate and Capitalisation Rate

The Capitalisation Rate is derived from the average Net Initial Yield ("NIY") achieved in transactions involving residential properties that were observed by CBRE and reflects the market situation as well as the yield expectations of a potential investor. It includes rental growth assumptions implicitly. The Discount Rate, which explicitly reflects rental growth in the cash flows, is derived from the Capitalisation Rate plus the average rental growth.

The Discount Rate and Capitalisation Rate are adjusted individually for each local market to be valued, in accordance with the following criteria:

- quality of the location
- demand and levels of value in the relevant local real estate market
- the prospects for the local market
- development of rents and prices (yield compression)
- the current letting situation in the property as regards vacancy, over-rented or under-rented status, the quality of the tenancy structure, the remaining lease term(s) and (for commercial leases) the indexation provisions and extension options
- the nature of the asset, its age, size and condition
- additional risk adjustments to take into account uncertainties in the forecasting of future cash flows

The Capitalisation Rate is used to capitalise the net rental income after the cashflow period ("Exit Value"). This net rental income comprises the assumed rental income at that time less the non-recoverable operating costs.

The cash flows and the Exit Value are discounted using the selected Discount Rate, monthly in advance.

The resulting net present values were checked against our analysis of comparable transactions (if available) from the sale price data collected by the relevant local valuation committee ("Gutachterausschuss") and an analysis of the internal lease and sale database of the CBRE Valuation Department. If necessary, in the absence of transaction data, asking prices for comparable assets on offer at empirica systeme were also considered. If, in particular instances, results of our DCF calculations were found not to reflect the Fair Value of an individual building, the calculation was adjusted by means of a change in the discount rate and Capitalisation Rate using expert and experienced judgement.

For the subject properties, we have adopted a weighted average Discount Rate of 4.84% and an average Capitalisation Rate of 3.42%.

4.4.8 Market Rent

For the purposes of this valuation, CBRE has estimated market rents at the valuation date for the lettable accommodation and asset units. These are based on an analysis of the local asset market, using data available to CBRE and accessible third-party sources. This includes:

- recent leases and tenancies agreed by Vonovia in the years 2019 and 2020
- analysis of the internal rental database of the CBRE Valuation Department
- publications by, and chargeable database queries of, market research institutes and real estate companies

At the date of valuation, the aggregated current annual rental income (gross) was 528,328,878 € p.a. and the aggregated annual market rent (gross) in comparison was 610,313,943 € p.a. The following table shows the breakdown of the different uses in € per sq m:

Type of Use	Current Rent	Market Rent
	in EUR per sq m per Month	
Residential non-subsidised	7.11	7.79
Residential subsidised	5.77	
Retail	7.82	7.65
Office	9.76	9.12
Other	6.55	6.79
	in EUR per unit per Month	
Internal Parking	36.81	37.85
External Parking	16.40	19.78

4.4.9 Market Rental Trends during the Period of Detailed Consideration

During the 10-year period of detailed consideration of the forecast cash flows, explicit modelling of changes in market rents has been included, estimated by CBRE at administrative district ("*Landkreis/Kreisfreie Stadt*)" level for all assets. The estimates are mainly based on data from the state statistics offices, BulwienGesa AG's RIWIS database and the Prognos AG Zukunftsatlas. Depending on location, the resulting trends of market rent range between annual increases of 0.3% to 3.3% for year 1 to 5 and 0.2% to 2.2% for year 6 to 10, with a weighted average of 1.6%, adjusted for the quality of situation and condition of the building.

4.4.10 Rent Control and Public Subsidies

A number of the residential units were subject to rent control as at the valuation date. Instead of the rent increase method of the BGB ("*Bürgerliches Gesetzbuch*") the subsidised residential units are subject to an economic rent ("*Kostenmiete*"). Contrary to Part 4.4.9 we have calculated with a rental growth of 0.5%, based on our experience. Except for subsidised properties in Schleswig-Holstein, for which rents are allowed to be increased by 9% in 3 years (according to the law for public subsidised properties in Schleswig-Holstein – SHWoFG).

According to the information provided by the Company, 11.5% of the residential units are subject to rent control.

Expiry of Restriction in Years	Residential Units	
	Total	in % of Total Residential Units
<=10 years	10,280	10.7%
11-25 years	659	0.7%
26-40 years	42	0.0%
41-55 years	22	0.0%
56-70 years	60	0.1%
> 70 years	32	0.0%
Restricted Units	**11,095**	**11.5%**
Not Restricted	84,986	88.5%
Total	**96,081**	**100%**

At the valuation date, there is 544,751 € of direct public subsidies payable to Vonovia during the next 10 years.

Local Statute Rent (“*Satzungsmiete”*)

In January 2009, the regulation of the economic rent was repealed in Baden-Wuerttemberg. Since that date subsidized apartments (*“1. Förderweg”*) must not be let for a higher rent, than the rent which the municipality sets out in the local statute.

For the determination of the respective market rent (local statute rent) of the concerned properties, we have chosen the following approach:

We have analysed the provided local statutes and rental tables. To derive the market rent we have made plausibility checks with the information provided to us by the Company (internal rent approach).

4.4.11 Structural and Turnover Vacancy

As at the valuation date, in Germany the portfolio has an average vacancy rate of 3.1% (weighted by area). We are assuming in our valuation that the weighted average structural vacancy rate of the German portfolio is 1.2% with a range of 0% to 25% at asset level.

In addition to the structural vacancy rate we have calculated a turnover vacancy between 1 to 6 months which corresponds to 0.0% to 5.8%, with an average of 0.9%. Together with the structural vacancy the average stabilized vacancy rate of the portfolio is 2.1%.

4.4.12 Purchaser's costs

For the purposes of the valuation and in line with normal practice, no allowance has been made for any personal costs or taxes that would be incurred by the purchaser in the course of the transaction. Mortgages and any other existing charges on the assets have not been taken into consideration in this valuation. Normal costs payable by the purchaser on transfer have been reflected as follows:

Agent’s fees	1.0% - 3.0%
Notary’s fees	0.3% - 1.1%

The transfer tax as at the date of valuation, 31 December 2020, for each relevant federal state as is shown in the table below.

Federal State	Land Transfer Tax Rate
Baden-Wuerttemberg	5.00%
Bavaria	3.50%
Brandenburg	6.50%
Bremen	5.00%
Hesse	6.00%
Lower Saxony	5.00%
Mecklenburg-Western Pomerania	6.00%
North Rhine Westphalia	6.50%
Rhineland-Palatinate	5.00%
Saarland	6.50%
Saxony	3.50%
Saxony-Anhalt	5.00%
Schleswig-Holstein	6.50%
Thuringia	6.50%

The net capital value is derived by deducting the purchaser's costs as shown from the calculated gross capital value. It is therefore equivalent to the net proceeds that the vendor would receive on a notional sale, not allowing for any personal costs or taxes to which the vendor would become liable as a result of the sale. The amount of the deduction depends on the investment volume of the asset concerned.

4.5 Valuation Parameters - Abroad

The assessment of Fair Value is based on future cash flows, which reflect normal market expectations taking into account past figures from the subject assets or comparable investments. The valuation parameters have been assessed by CBRE, using its best judgement, based on the information provided by the Company.

4.5.1 Repair and Improvement Contributions (EVB) (Austria)

In accordance with § 14d WGG "*Wohnungsgemeinnützigkeitsgesetz*" (social housing law), a *"Erhaltungs- und Verbesserungsbeitrag - EVB"* (repair and improvement contribution) is to be levied on buildings to which the WGG applies. In our valuation model we have therefore taken account of the repair and improvement contributions for the lettable area of apartments let on KDM (cost-covering rent). In accordance with the WGG-Novelle 2016, we also apply the EVB approach for units that are rented with the re-letting payment.

The statutory EVB (repair and improvement contributions), which are levied for future modernisation and refurbishment, depends on the initial date of letting as follows:

Erhaltungs- und Verbesserungsbeitrag (EVB) according to WGG-Novelle 2016			
Statutory 1 April 2020			
Initial Letting since (years)	EVB	Initial Letting since (years)	EVB
0 - 5	0.53 €	18	1.37 €
6	0.60 €	19	1.43 €
7	0.66 €	20	1.49 €
8	0.73 €	21	1.56 €
9	0.79 €	22	1.62 €
10	0.85 €	23	1.69 €
11	0.92 €	24	1.75 €
12	0.98 €	25	1.81 €
13	1.05 €	26	1.88 €
14	1.11 €	27	1.94 €
15	1.17 €	28	2.01 €
16	1.24 €	29	2.07 €
17	1.30 €	>29	2.13 €

For the purposes of our valuation, we have adopted the EVB allowances that are applied by the Company in its operative business. These take into consideration the statutory regulations in relation to the age of buildings but also take into account their individual structural condition and local market circumstances.

Important statutory provisions in this respect are:

- For all buildings that were completed by the Company before April 1, 2001, the civil law norms of the WGG (§§ 13-21 WGG) are applicable.
- For apartments let on cost-covering rent and re-letting payment, if the repayable EVB is not invested in the property, the excess is repayable to the tenant.

4.5.2 Maintenance / Repair Charge Austria

For all other types of rent payment and/or accommodation (reasonable rents, privately-financed rents, caretakers' apartments and commercial accommodation) the ongoing maintenance and repair charge has been determined by reference to the current condition of the building.

The most important structural elements are assessed by the Company on a grading system (1 = excellent; 2 = good; 3 = satisfactory; 4 = adequate; 5 = poor) and a weighted average is calculated according to their proportion of costs. Corresponding to this result, average maintenance and repair costs for the remaining useful life, at property level, are then assigned as follows:

Condition of Building under Company's Grading List	Maintenance/Repair Charge in € per sq m per month
1	0.50
2	0.60
3	0.70
4	0.80
5	0.90

The condition of the building will be reassessed at each future date of valuation, in particular after refurbishment work has been carried out or new items of disrepair have occurred.

The Company's appraisal of the condition of the buildings is checked and verified by CBRE using the results (scores) from CBRE's initial inspection in April 2010 and the annual, external re-inspection of approximately 20% of the Austrian portfolio (by Fair Value).

The annual costs per sq m of lettable area adopted for the purposes of this valuation are average figures for the types of use concerned, arrived at on the basis of experience by CBRE and the analysis of costs of similar buildings by third-party firms. They take into account the necessary cost inputs for long-term operation of the assets. The maintenance and repair costs allowed for in the valuation for residential space are between 6.12 € per sq m p.a. and 26.28 € per sq m p.a. (in exceptional cases below 6.12 € per sq m), with a weighted average of 20.92 € per sq m p.a. depending on the age and condition of the building concerned.

4.5.3 Costs on Change of Tenant and Transformation of Accommodation

In reality, on change of tenant the landlord only incurs additional costs for renovating and/or repairing a residential unit, that are not covered by EVB or a lump sum for repairs, in the higher-value segments of reasonable rents and open market rents. In our model we have allowed costs of 35-150 € per sq m on each change. The overall average costs for tenant improvements sum up to 41 € per sq m for residential area.

In the event of a change in regime from cost-covering rent to reasonable rent, higher costs must be applied, as the rent will be increased to market rental value and the condition and standard of fit-out of the residential unit must be adapted accordingly. In this instance we have applied costs of 0 to 150 € per sq m in our calculations, depending on the condition of the building / residential unit, its building age and the achievable reasonable rent analogous to market rental value.

For asset 50000022 (Mikepérsci út 168, 4030 Debrecen, Hungary) we assumed costs of 150 € per sq m and for asset 500000080 (Bokréta utca 11-13, 1094 Budapest, Hungary) we assumed 50 EUR per sq m. For the remaining asset in Hungary, we did not allow for any tenant improvements.

4.5.4 Capital Expenditure

In addition to the non-recoverable ancillary costs, which are deducted monthly from the gross rental income during the period of detailed consideration, capital expenditure on repair and maintenance work already planned at the date of valuation has also been reflected. CBRE has not undertaken a technical survey. For this valuation, we were provided with capital expenditure Costs (CapEx) by the Company for 98 assets in Austria. To reflect these costs, we have deducted the running maintenance costs from year 1 from the CapEx Costs provided and have taken the resultant amount into account.

For the purposes of our valuation we have assumed total costs of rectifying the current maintenance backlog of 8,864,559 EUR for 92 of the affected assets. For all the other 6 assets, the running maintenance costs of year 1 cover the CapEx Costs provided.

4.5.5 Tenant Fluctuation and Reduction of Vacancy

The fluctuation rate refers to the proportion of the accommodation that it is assumed will have to be re-let each year. The tenants’ fluctuation rates applied are 6% for units let at cost-covering rent, re-letting payment and accommodation let at a reasonable rent. A fluctuation rate of 10% p.a. has been applied to privately-financed and commercial space.

The reduction of the current vacancy rate of 5.2%, is reflected at asset level, as follows:

- 50%-100% p.a. for residential units
- 20% p.a. for commercial space

Based on the type of vacancy, a calculated amount of space has been included for the reduction in vacancy in the year concerned. This notional area is divided by the average apartment floor area. The result is the number of units that could in reality be let. As, in reality, only "whole" apartments can be let, the average apartment floor area and the whole number of newly-let units result in a reduction in vacancy that, in most cases, is lower than the theoretical figure. The remainder is included in the vacant space for the subsequent year.

4.5.6 Void Period

The void period (fluctuation vacancy) for units let on cost-covering rent and re-letting payment has been set at zero. A three months void period has been adopted for units subject to reasonable rents and six months for open-market rents.

For commercial space we have adopted a void period of six to 18 months. The overall lettability of the commercial space has been implicitly reflected in the discount rate.

Vacant periods and market rental values have also been applied to internal parking spaces, car parking and motorcycle parking spaces, depending on the absolute vacancy rate and the local marketability.

Void costs have not been taken into account, due to the general ease of re-letting the units.

4.5.7 Inflation

In the DCF method a flat rate of 2.0% p.a. for the Austrian Assets and 3.4% for the Hungarian Assets have been applied. Full allowance for inflation has been made for re-letting payment, reasonable rent, open-market rent, market rent, the achievable privatisation proceeds, maintenance and repair costs, ground rents, discounted depreciated replacement costs and the capitalized income value of properties held on ground (building) leases. Inflation rates forecasts were provided by CBRE Research. The sources are Consensus Forecast and ECB.

4.5.8 Discount Rate

The discount rate reflects the market situation as well as the yield expectations of a potential investor. It also includes an additional risk premium to take account of uncertainty in the forecasting of future cash flows. The discount rate is based on the net initial yield on comparable properties, adjusted for the growth expectations (unrelated to a specific location) of an average investor. When analysing net initial yields, the comparability of situation, property condition, letting situation and the ratio of rent reserved to market rental value has to be considered. Our basic discount rate for a primarily residential portfolio of similar quality to the subject portfolio in Austria is 5.75% as at the date of valuation.

The basic discount rate has been adjusted for various relevant features and qualities of each property. These have been assessed on the basis of information provided by the client and obtained in the course of our inspection. The adjustments applied in our model are as follows:

Basic Discount Rate	
	5.75%
Adjustment for commercial elements	
Commercial element up to 10%	0.10%
Commercial element up to 50%	0.25%
Commercial element in excess of 50%	0.50%
Adjustment for quality of location, based on inspection	
Very good residential area	-0.50%
Good residential area	-0.25%
Medium residential area	0.00%
Modest residential area	0.25%
Adjustment for size of building(s)	
up to 4 storeys	0.00%
up to 6 storeys	0.10%
above 6 storeys	0.20%
Adjustment for type of building	
Detached house	-0.50%
Duplex/semi-detached/terraced house	-0.25%
Apartment building	0.00%
Adjustment for property category (predominant category of accomodation)	
Category A	-0.25%
Category B	0.00%
Category C	0.25%
Category D	0.50%
Other adjustments	
Addition to monument protection	0.00%
Addition to building lease < 10 years	2.50%
Addition to building lease 10-30 years	1.50%
Addition to building lease > 30 years	1.25%
Deduction for new buildings (date of construction to date of valuation < 11 years)	-0.50%

The adjustment for location uses a scoring system for all Austrian municipalities, on the basis of population trend and purchasing power per inhabitant:

The Fair Value was determined using all the objective criteria is checked for plausibility using data from recent transactions and/or in local markets in rural municipalities and in the absence of market data, by analogy at the end of the valuation process.

For the subject properties, we have adopted a weighted average Discount Rate of 5.34% for Austria and 9.22% for Hungary.

4.5.9 Rent Determination Austria

The individual systems for determining rent have been calculated in the DCF valuation model as follows:

“*Kostendeckende Miete*” (cost-covering rent) – regulated

In our valuation model we have applied the current KDM payable, as stated in the portfolio data provided by the Company. The cost-covering rent can be increased only if there is an increase in the interest on borrowed and/or equity capital (so-called *“Annuitätensprung*”). This *“Annuitätensprung”* can result from an increase in the interest rate on borrowed capital during the course of the loan (e.g. on expiry of a subsidised loan). In our model, using the determination of the difference in the interest payments, a rent supplement per sq m is calculated, which is added to the current cost-covering rent chargeable. The interest rate increase is capped in our model, i.e. the increase in cost-covering rent can rise to a maximum of the market rent estimated by CBRE.

“*Wiedervermietungsentgelt*” (re-letting payment) - regulated

After deducting the EVB (regulated maintenance costs) from the re-letting payment a net rent of 1.87 € per sq m (not considering any additional payments, such as the ground rent, being borne by the tenant) remains in the cashflow calculations, which is indexed annually at the inflation rate.

***"Angemessener Mietzins*" (reasonable rent) / *"Freier Mietzins"* (open-market rent)**

On a new letting, or when normal landlord and tenant law begins to be applied, under § 13 para. 4 WGG of 1987, the landlord has the opportunity, based on the "*Rückzahlungsbegünstigungsgesetz"* (RGB – law to facilitate repayment) and the early repayment of a loan, to demand a reasonable ongoing payment and a reasonable amount for financing, instead of the cost-covering rent. The reasonable rent must accordingly be appropriate for the size, type, quality, location, quality of finish and condition of the apartment (§ 16 MRG). The reasonable rent therefore corresponds to the open-market rent. The reasonable rent and the open-market rent are indexed annually at the inflation rate.

4.5.10 Market Rent

For the purposes of this valuation, CBRE has estimated market rents at the valuation date for the lettable accommodation and asset units. These are based on an analysis of the local property market, using data available to CBRE and accessible third-party sources. This includes:

- recent leases and tenancies agreed in the years 2019 and 2020
- publications by, and chargeable database queries of, market research institutes and real estate companies

Please note that 99.3% of the residential units in terms of annual rental income are subject to regulation and cannot be let to market conditions.

At the date of valuation, the aggregated current gross rental income on portfolio level was 51,419,249 € p.a., thereof 51,077,241 € p.a. in Austria and 342,008 € in Hungary, and the aggregated estimated market rent in comparison was 64,733,527 € p.a., thereof 64,253,290 € p.a. in Austria and 480,237 € in Hungary. The following table shows the breakdown of the different uses in € per sq m:

Type of Use	Current Rent	Market Rent
	in EUR per sq m per Month	
Residential non-subsidised	6.89	5.07
Residential subsidised	4.20	
Commercial	6.82	6.46
	in EUR per unit per Month	
Internal Parking	20.69	22.40
External Parking	6.83	7.46

4.5.11 Provision of Equity Capital

If the landlord has invested more in a residential complex than was levied as EVB, the landlord can offset EVB income against this provision. In these instances, therefore the EVB that exceeds the required amount is not treated as an expense but rather as additional income until the provision has been exhausted.

The aggregated volume of 15,000,000 € at Austrian portfolio level of the provision of "*Eigenmittelvorlage"* (equity capital) is explicitly reflected in the valuation as additional income in year one.

4.5.12 Finance Contribution

On completion of publicly-subsidised residential properties, the first tenants to move in have to pay a certain amount per sq m (e.g. 500 €) as a *"Finanzierungsbeitrag*" (financing contribution) to decrease the financing costs of the landlord and in consideration of the low level of rent. This financing contribution remains attached to the individual apartment even after changes of tenant and is decreased by 1% per year (so called *"Verwohnung*"). As provided by the Company, we have added the discounted net present value of the financing contributions to each of the assets. The aggregated volume of 16,546,424 € at portfolio level is explicitly reflected in the valuation as additional income in year one.

4.5.13 Individual Privatisation (subdivision into condominiums)

The model is based on the general assumption that only apartments (of all rental types) that become vacant due to fluctuation can be privatised. The maximum privatisation rate for properties that are capable of privatisation therefore corresponds to the rate of fluctuation. The average fluctuation rate applied in the model is 6.0%.

We assessed 248 of the 685 Austrian assets as being capable of privatisation. In order to reflect the realistic instances of privatisation, in the same way as for the reduction in vacancy the privatisation scenario is based on entire units only. The following individual input parameters are relevant:

- Marketing costs (not considering any company specific sales costs according to IFRS 13.25)
- Costs of subdividing residential/commercial space and parking
- Sales price per apartment (non-refurbished) from Company's realised sale proceeds, WKO property price table at district level and, at municipality level, scoring of potential sale prices using socio-democratic and economic data and WKO figures.
- A notional allocation is made on the basis of the statutory regulations after expiry of a certain period. E.g. for residential properties built after 2001 in accordance with the *"Wohnbaufördergesetz*" (promotion of residential construction act) and let at a reasonable rent, not until year 11 (from the date of construction).
- Sale price of internal parking spaces / external parking spaces / motor cycle parking spaces

4.5.14 *"WEG-Rücklage"* (Condominium reserve fund) - Austria

Based on the information provided we have allowed for a lump sum of 131,169 € as condominium reserve fund for one asset (40000349).

4.5.15 Change of Space Classification - Austria

Under § 13 Paragraph 6 WGG (*"Wiedervermietungsentgelt*": re-letting payment), on re-letting an apartment that was previously subject to a cost-covering rent, it is possible to demand a higher rent. This rent corresponds to the re-letting payment. However, this is only possible provided that the cost-covering rent is lower than the re-letting payment, and that no loan on the property has been redeemed under the *"Rückzahlungsbegünstigungsgesetz*" (RBG) of 1987.

In order to model this situation exactly, when it occurs the actual fluctuation space available has been deducted from the accommodation subject to cost-covering rent and included in the accommodation subject to the *"Wiedervermietungsentgelt"*.

A further change of classification can occur on re-letting, if a loan on the property has already been redeemed under the RGB. The accommodation concerned can then be re-let at a reasonable rent.

4.5.16 Data on Building Leases

The assets abroad include 249 assets held on ground (building) leases. For the purposes of the CBRE valuation the following criteria were taken into account:

- Amount of ground rent (total 775,056 € p.a. at the date of valuation 31 December 2020)
- Remaining term
- Discounted Depreciated Replacement Costs (analogous to *"Sachwert"*) or Capitalised Income Value (analogous to *"Ertragswert"*) at the date of valuation
- Compensation payment on expiry (data obtained from the ground leases: none and 25% of the Depreciated Replacement Costs or 67% of the Capitalised Income Value)

The cash flow for properties held on ground leases has been separately determined. In this instance the items taken into account and discounted for appropriate periods are (i) the net rental income for the remaining term of the building lease, indexed at the rate of inflation, less the indexed ground rent and (ii) on expiry of the term, the depreciated replacement cost (*"Sachwert"*) of the buildings, adjusted by the percentage compensation payable under the terms of the lease.

4.5.17 Risk premium for extended ground leases

For the 4 assets in Austria shown in the table below, we have been provided with the information, that the ground leases will be extended. The resulting ground rents are very likely to be increased. Due to the fact, that the specific amounts have not been negotiated at the date of valuation, we took the former ground rents into account, but increased the respective capitalization rates individually.

Assets	ZIP	City	Address	Ground rent p.a.	Expiry Date	Risk Premium
2020005	9500	Villach	Dollhopfgasse 20	520 €	30.06.2071	1.50%
2020088	9020	Klagenfurt	Ghegagasse 2	1,135 €	30.06.2071	1.50%
2020132	8700	Leoben	Judendorfer Str. 13	40 €	31.12.2071	1.60%
2020153	9300	St. Veit an der Glan	Lagerstr. 6	322 €	30.06.2071	0.60%

4.5.18 Exceptional Items

- For two assets (2000238 and 2000281) we have been provided with additional subsidies with a total amount of 1,482,613 EUR, which have been taken into account
- For one valuation unit (2020681) we additionally have taken the development potential for an undeveloped site related to this valuation unit into account (appr. 387,360 EUR).

5 VALUATION CONCLUSIONS

5.1 Fair Value

Upon the assumption that, after reasonable inquiry of the Company, there are no onerous restrictions or unusual outgoings of which we have no knowledge and based on the specific comments and assumptions set out in this Valuation Report of the Subject Assets, we are of the opinion that the aggregate of the individual Fair Values (net) of the freehold / ground-leasehold interests in the assets in the portfolio, rounded at asset level, as at 31 December 2020 and held as at that date, is:

12,751,978,725 €

(Twelve billion, seven hundred and fifty-one million, nine hundred and seventy-eight thousand, seven hundred and twenty-five Euros)

net of purchasers' costs and VAT

comprised as follows:

Germany:	11,795,856,500 €
Austria:	841,078,700 €
Hungary[7]:	3,880,600 €
Land:	111,162,925 €

of which the value of owner-occupied assets (proportion of owner-occupation above 50%, weighted by area), classified by the Company according to IAS 16, is 78,410,000 € (representing approximately 0.6% of the Fair Value aggregated on portfolio level).

The assessment of the Fair Value was carried out at asset level. The aggregate of the individual Fair Values presented here takes account of the marketing period and the transaction costs of the individual assets and does not reflect any discounts or premiums on the sale of the whole portfolio or if part of the portfolio were to be marketed simultaneously or in lots.

CBRE has not been engaged to update the CBRE valuation for the purpose of the Prospectus, has no obligation to do so and has not updated the CBRE valuation after the date of valuation, 31 December 2020.

The table below shows the split of values between assets held for investment (freehold-equivalent and leasehold assets), owner-occupied assets (freehold-equivalent and leasehold assets) and separately Land with undeveloped sites (held for non-specialised development and not held for development) and assets held on a ground lease.

[7] The local currency in Hungary is Hungarian Forint (HUF). The rents and costs have been converted to EUR at the exchange rate stated to undertake the valuation.

	Total Fair Value in EUR
Freehold-Equivalent	11,099,033,800
*Short Leasehold	1,099,621,000
**Long Leasehold	363,751,000
Subtotal Assets held as an Investment	**12,562,405,800**
Freehold-Equivalent	78,410,000
*Short Leasehold	0
**Long Leasehold	0
Subtotal Owner-Occupied Assets	**78,410,000**
Freehold-Equivalent	**109,572,925**
Land capable of development (*Baureifes Land*)	69,802,925
Unserviced land zone for development (*Rohbauland*)	2,710,000
Land with hope value for development (*Bauerwartungsland*)	37,060,000
Leasehold-Equivalent	**0**
Subtotal Assets held for Non-Specialised Development	**109,572,925**
Freehold-Equivalent	**0**
Other Land	0
Leasehold-Equivalent	**0**
Subtotal Land not held for Development	**0**
Assets held on a ground lease *(Erbbaurechtsgeber)*	
*Short Leasehold	1,490,000
**Long Leasehold	100,000
Subtotal Assets held on a ground lease	**1,590,000**
Total	**12,751,978,725**

* 50 years or less unexpired
** Over 50 years unexpired

There are no negative values to report.

The following table shows aggregated key asset data for the total portfolio (excluding Land):

Fair Value excluding Land:	12,640,815,800 €
Total lettable area:	7,412,894 sq m
Average Fair Value per sq m lettable area:	1,705 €
Current annual rental income (gross)[8]:	579,748,128 €
Potential annual rental income (gross) [8]:	603,169,832 €
Annual market rent (gross) [8]:	675,047,469 €
Multiplier (based on current rent):	21.8 times
Multiplier (based on potential rent):	21.0 times
Multiplier (based on market rent):	18.7 times
Net initial yield (based on current rent)	3.4%
Net initial yield (based on potential rent)	3.6%
Net initial yield (based on market rent)	4.2%

[8] Annual rental income (gross) includes income from antennas of 577,554 €.

The following table shows aggregated key asset data for the German portfolio (excluding Land):

Fair Value excluding Land	11,795,856,500 €
Total lettable area:	6,388,411 sq m
Average Fair Value per sq m lettable area:	1,846 €
Current annual rental income (gross) [9]:	528,328,878 €
Potential annual rental income (gross) [9]:	548,129,577 €
Annual market rent (gross) [9]:	610,313,943 €
Multiplier (based on current rent):	22.3 times
Multiplier (based on potential rent):	21.5 times
Multiplier (based on market rent):	19.3 times
Net initial yield (based on current rent):	3.4%
Net initial yield (based on potential rent):	3.6%
Net initial yield (based on market rent):	4.1%

For information purposes only the following table shows the breakdowns of the Fair Value of the German Assets (excluding Land) by type of use. The figures have been calculated by breaking down the overall Fair Value on unit level and allocating the individual unit results to the different type of uses.

Type of Use	Total		
	Current Annual Rental Income (gross)	Fair Value breakdown	
	Total in EUR	in EUR	x Current Annual Rental Income (gross)
Residential	501,238,609	11,211,092,541	22.4
Commercial	17,246,894*	330,452,330	19.2
Parking	9,843,375	254,311,629	25.8
Total	**528,328,878**	**11,795,856,500**	**22.3**

* The Current Annual Rental Income (gross) of the commercial units includes the income of the antennas.

[9] Annual rental income (gross) includes income from antennas of 577,554 €.

The following table shows aggregated key asset data for the assets abroad (excluding Land):

Fair Value	844,959,300 €
Total lettable area:	1,024,483 sq m
Average Fair Value per sq m lettable area:	825 €
Current annual rental income (gross):	51,419,249 €
Potential annual rental income (gross):	55,040,256 €
Annual market rent (gross):	64,733,527 €
Multiplier (based on current rent):	16.4 times
Multiplier (based on potential rent):	15.4 times
Multiplier (based on market rent):	13.1 times
Net initial yield (based on current rent):	3.5%
Net initial yield (based on potential rent):	3.8%
Net initial yield (based on market rent):	6.1%

Our opinion of Fair Value is based upon the scope of work and valuation assumptions as detailed in Part 4 “Explanation of Valuation” of this Valuation Report and has been derived mainly using comparable recent market evidence on arm’s length terms.

For further information please refer to Part 6 “Valuation Key Definitions”.

5.2 Breakdowns of the Fair Value by Portfolio Structure

	Total			
	Fair Value			
	Total in EUR	in % of Total	per sq m	x NCR
Operate	4,275,641,118	33.8%	1,858	21.8
Invest	6,402,914,394	50.7%	1,837	22.6
Strategic	**10,678,555,513**	**84.5%**	**1,845**	**22.3**
Recurring Sales	1,054,515,521	8.3%	1,924	23.5
Non-Core Disposals	62,785,467	0.5%	1,163	17.8
Vonovia Germany	**11,795,856,500**	**93.3%**	**1,846**	**22.3**
Assets Abroad	844,959,300	6.7%	825	16.4
Total	**12,640,815,800**	**100.0%**	**1,705**	**21.8**

6 VALUATION KEY DEFINITIONS

Lettable area

The lettable area in this valuation is defined by the entry in the Company's rent roll provided.

Total lettable area

Total lettable area in square metres – sum of residential and commercial floor area – and excluding land;
as at 31 December 2020

Residential units

Residential units - number of residential premises excluding internal and external parking units and other units;
as at 31 December 2020

Commercial units

Commercial units - number of commercial and special premises; excluding internal and external parking units and other units;
as at 31 December 2020

Internal Parking units

Internal Parking units (units) - number of internal parking spaces;
as at 31 December 2020

External Parking units

External Parking units (units) - number of external parking spaces;
as at 31 December 2020

Other units

Other units – e.g. number of antennas;
as at 31 December 2020

Land (Land Bank):

The Land consists of land for future development (land capable of development, unserviced land zoned for development and land with hope value for development) and other land (woodland, agricultural land). It further consists of assets held on a ground lease.

EPRA residential vacancy rate

Residential annual market rent (gross) of vacant space divided by residential annual market rent (gross) of the whole portfolio

Current annual rental income (gross):

The current gross rental income represents the rent paid for the units let on contractual agreements as at 31 August 2020 (adjusted for units sold as at 31 December 2020), before deducting non-recoverable operating costs and VAT, multiplied by 12. Rent-free periods have been taken into account.

Potential annual rental income (gross):

The potential rent is the sum of the current monthly gross rental income and the market rent of vacant units – irrespective of any vacancy – as at 31 August 2020 (adjusted for units sold as at 31 December 2020), multiplied by 12.

Annual market rent (gross):

The (monthly) market rent of all units as at 31 August 2020 (adjusted for units sold as at 31 December 2020; irrespective of any vacancy) multiplied by 12.

Multiplier (based on current rent):

Net capital value divided by current rental income (gross)

Multiplier (based on potential rent):
Net capital value divided by potential rental income (gross)

Multiplier (based on market rent):
Net capital value divided by market rent (gross)

Net initial yield (based on current rent):
Current rental income (net) divided by gross capital value
Current rental income (gross) minus non-recoverable operating costs / net capital value plus purchaser's costs

Net initial yield (based on potential rent):
Potential rental income (net) divided by gross capital value

Net initial yield (based on market rent):
Market rental income (net) divided by gross capital value

Note: the valuation keys above are defined in accordance with the gif Gesellschaft für Immobilienwirtschaftliche Forschung e.V. Arbeitskreis Real Estate Investment Management.

Freehold or freehold-equivalent refers to *"Eigentum"* title in Germany and Austria, and "*Szabad tulajdon*" in Hungary.

Ground lease/leasehold refers to *"Erbbaurecht"* title in Germany, "*Baurecht*" in Austria and *"Haszonbérlet"* in Hungary.

ppa. Michael Schlatterer, MRICS	ppa. Sandro Höselbarth
Residential Valuation Germany	Head of Residential Valuation Germany
Senior Director	Managing Director
CBRE GmbH	CBRE GmbH

Savills Valuation Report as at June 30, 2021

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Condensed Valuation Report

Residential Portfolio

Victoria Park AB & Hembla AB

Opinion of Market Value

as at

30 June 2021

on behalf of

Vonovia SE

prepared by

Savills Sweden AB

Date of Report: 28 August 2021

A. Summary Overview

Type of Report

This Valuation report has been conducted for the determination of Market Value carried out by Savills Sweden AB ("Savills"). The valuation is in accordance with the RICS Global Valuation Standards effective since 31 January 2020 of the Royal Institution of Chartered Surveyors ("Red Book") and the International Standards for the Valuation of Real Estate for Investment Purposes ("International Valuation Standards").

The report has been carried out for a purpose of inclusion in the prospectus relating to the public offer of newly issued shares by Vonovia SE and their admission to trading on the regulated market segment (regulierter Markt) of the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse) and on the regulated market of the Luxembourg Stock Exchange (Bourse de Luxembourg) (the "Offering"). Subject of this Valuation Report is the residential real estate portfolio of Victoria Park and Hembla of 329 valuation objects as at Date of Valuation.

Savills consents to the Valuation Report being included in the investor materials in connection with the Offering on the terms as set out in this Valuation Report and in its Instruction Letter and side letter between Vonovia SE and Savills Sweden AB dated 12 August 2021 (the "Side Letter").

Date of Valuation

30 June 2021

Subject Portfolio

According to the information provided by Hembla and Victoria Park the subject portfolio comprises 329 valuation objects of which the major is residentially dominated subject properties.

Portfolio Overview by Company

	No. Valuation objects	Lettable Area sqm	Vacancy Rate %	Current Rent SEK/sqm p.a.	Market Rent SEK/sqm p.a.
Hembla	195	1 687 041	6,5%	1 297	1 289
Victoria Park	134	1 326 844	6,3%	1 284	1 281
Total	329	3 013 885	6,4%	1 291	1 285

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Portfolio Overview by Property type

Main use	Type code	No. Valuation objects	Lettable Area sqm	Vacancy Rate %	Current Rent SEK/sqm p.a.	Market Rent SEK/sqm p.a.
Rental building - with residential and commercial units	321	249	2 628 467	6,3%	1 294	1 288
Rental building - principally residential units	320	51	330 306	4,5%	1 281	1 282
Residential building - single family homes	220, 230 etc.	7	28 243	2,8%	1 223	1 223
Rental building - principally commercial units	325	9	14 927	19,4%	1 126	1 141
Special unit - healthcare building	823	5	11 524	72,2%	1 008	1 075
Other	-	8	418	-	-	-
Total		329	3 013 885	6,4%	1 291	1 285

Tenure

In total, 279 valuation objects are held on the Swedish equivalent of freehold title. The other 50 properties are held on the Swedish equivalent to leasehold.

Summary of Valuation Results

Upon the assumption that there are no onerous restrictions or unusual costs of which we have no knowledge and based on the provided information, specific comments and assumptions set out in this Valuation Report, we are of the opinion that the aggregate of the individual Market Value of the freehold interests and the leasehold of the subject properties of the Subject Portfolio, rounded at asset level, as of 30 June 2021 is:

Market Value

SEK 69 294 707 000

(Sixty-nine billion two hundred and ninety-four million and seven hundred and seven thousand Swedish krona)

Our opinion of Market Value is equivalent to:

Market Value per sqm	22 992 SEK
Gross Multiplier on Current Rent	19.07 fold
Gross Multiplier on Market Rent	17.89 fold
Net Initial Yield (NIY) on Current Rent	3.21%
Net Initial Yield (NIY) on Market Rent	3.56%

*Initial yields before investment and TI:s

In addition to this value we are of the opinion that the Market Value of the unused building rights as at 30 June 2021 is SEK 1 080 840 000, (One billion and eighty million and eight hundred and forty thousand Swedish krona).

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Breakdown of Market Value by Company

Portfolio Overview by Company										
	No. Valuation objects	Lettable Area	Vacancy Rate	Current Rent	Market Value	Market Value (Share of Total)	Market Value per sqm	Gross Multiplier on Current Rent	Gross Multiplier on Market Rent	Net Initial Yield
		sqm	%	SEK/sqm p.a.	kSEK		SEK per sqm	fold	fold	
Hembla	195	1 687 041	6,5%	1 297	39 296 633	56,7%	23 293	19,28	18,08	3,10%
Victoria Park	134	1 326 844	6,3%	1 284	29 998 074	43,3%	22 609	18,80	17,65	3,36%
Total	329	3 013 885	6,4%	1 291	69 294 707		22 992	19,07	17,89	3,21%

Breakdown of Market Value by Property Type

Portfolio Overview by Property type											
Main use	Type code	No. Valuation objects	Lettable Area	Vacancy Rate	Current Rent	Market Value	Market Value (Share of Total)	Market Value per sqm	Gross Multiplier on Current Rent	Gross Multiplier on Market Rent	Net Initial Yield
			sqm	%	SEK/sqm p.a.	kSEK		SEK per sqm	fold	fold	
Rental building - with residential and commercial units	321	249	2 628 467	6,3%	1 294	61 509 010	88,8%	23 401	19,36	18,17	3,16%
Rental building - principally residential units	320	51	330 306	4,5%	1 281	6 861 420	9,9%	20 773	16,98	16,20	3,65%
Residential building - single family homes	220, 230 etc.	7	28 243	2,8%	1 223	598 820	0,9%	21 202	17,82	17,34	3,58%
Rental building - principally commercial units	325	9	14 927	19,4%	1 126	165 251	0,2%	11 071	12,42	9,71	4,68%
Special unit - healthcare building	823	5	11 524	72,2%	1 008	130 920	0,2%	11 361	44,99	10,57	1,19%
Other	-	8	418	0%	4 753	29 286	0,0%	70 062	14,74	14,13	5,84%
Total		329	3 013 885	6,4%	1 291	69 294 707		22 992	19,07	17,89	3,21%

Breakdown of Market Value by Municipality

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Portfolio Overview by Municipality											
Municipality	No. Valuation objects	Lettable Area	Vacancy Rate	Current Rent	Market Value	Market Value (Share of Total)	Market Value per sqm	Gross Multiplier on Current Rent	Gross Multiplier on Market Rent	Net Initial Yield
		sqm	%	SEK/sqm p.a.	kSEK		SEK per sqm	fold	fold	
Haninge	12	333 063	3,3%	1 386	9 156 034	13,2%	27 490	20,74	20,02	3,10%
Eskilstuna	69	385 621	8,3%	1 268	9 043 200	13,1%	23 451	20,05	18,37	3,15%
Stockholm	25	288 060	3,5%	1 293	7 401 870	10,7%	25 696	20,87	20,09	2,71%
Södertälje	26	247 888	2,2%	1 422	7 002 610	10,1%	28 249	20,45	19,97	3,08%
Norrköping	13	173 696	9,1%	1 270	3 998 100	5,8%	23 018	19,89	18,04	3,06%
Linköping	2	128 048	14,2%	1 350	3 710 000	5,4%	28 973	25,12	21,57	2,64%
Malmö	8	153 097	2,5%	1 335	3 122 000	4,5%	20 392	15,79	15,36	3,95%
Göteborg	3	129 024	3,0%	1 205	2 474 000	3,6%	19 175	16,46	16,43	3,77%
Botkyrka	1	96 042	2,5%	1 189	2 400 000	3,5%	24 989	21,67	21,21	2,48%
Huddinge	9	92 288	4,4%	1 259	2 197 000	3,2%	23 806	19,58	18,68	2,81%
Uppsala	5	74 857	5,7%	1 392	1 824 800	2,6%	24 377	18,55	17,42	3,35%
Karlskrona	18	98 978	7,1%	1 275	1 712 540	2,5%	17 302	14,65	13,57	4,30%
Växjö	2	73 344	6,0%	1 206	1 291 000	1,9%	17 602	15,45	14,41	3,92%
Sigtuna	2	58 181	6,6%	1 326	1 263 000	1,8%	21 708	17,85	16,66	3,48%
Borås	3	61 850	6,1%	1 294	1 263 000	1,8%	20 420	16,75	15,72	3,59%
Västerås	4	54 226	3,2%	1 201	1 237 000	1,8%	22 812	19,48	19,05	2,99%
Katrineholm	17	61 322	17,3%	1 257	1 096 472	1,6%	17 881	17,03	14,15	3,65%
Upplands Bro	3	43 401	4,4%	1 298	1 030 950	1,5%	23 754	18,99	18,14	3,08%
Kristianstad	19	38 974	4,7%	1 421	1 013 740	1,5%	26 011	19,19	18,25	3,68%
Örebro	3	48 050	6,9%	1 150	1 012 000	1,5%	21 061	19,52	18,16	3,09%
Nyköping	4	48 982	10,2%	1 223	932 800	1,3%	19 044	17,08	15,38	3,56%
Tranås	27	69 956	16,9%	1 055	826 601	1,2%	11 816	13,35	11,19	4,24%
Sollentuna	1	34 066	5,2%	1 462	761 000	1,1%	22 339	16,36	15,66	3,68%
Strängnäs	6	35 508	9,3%	1 320	753 800	1,1%	21 229	18,53	16,93	3,41%
Markaryd	22	57 288	8,5%	1 056	632 060	0,9%	11 033	11,44	10,42	4,81%
Arboga	8	47 975	8,4%	1 066	602 630	0,9%	12 561	12,77	11,71	4,12%
Nynäshamn	6	22 677	28,9%	1 366	491 800	0,7%	21 687	22,39	16,25	2,78%
Köping	7	35 059	12,2%	1 215	479 700	0,7%	13 683	13,15	11,74	4,51%
Mölndal	1	13 586	0,4%	1 274	375 000	0,5%	27 602	21,73	21,64	2,98%
Trelleborg	3	8 778	7,7%	1 346	190 000	0,3%	21 645	17,72	16,31	3,55%
Total	329	3 013 885	6,4%	1 291	69 294 707		22 992	19,07	17,89	3,21%

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Breakdown of Market Value by Tenure

Portfolio Overview by Tenure										
	No. Valuation objects	Lettable Area	Vacancy Rate	Current Rent	Market Value	Market Value (Share of Total)	Market Value per sqm	Gross Multiplier on Current Rent	Gross Multiplier on Market Rent	Net Initial Yield
		sqm	%	SEK/sqm p.a.	kSEK		SEK per sqm	fold	fold	
Freehold	279	2 535 433	6,7%	1 293	57 671 737	83,2%	22 746	18,90	17,67	3,28%
Leasehold	50	478 452	4,4%	1 282	11 622 970	16,8%	24 293	19,97	19,06	2,86%
Total	329	3 013 885	6,4%	1 291	69 294 707		22 992	19,07	17,89	3,21%

B. Instructions and Sources of Information

I. Scope of Instruction

Preamble

This is a condensed report prepared pursuant to instructions from Vonovia SE, through Victoria Park AB ("Victoria Park") and Hembla AB ("Hembla"), signed on 2021-02-22.

The instruction to provide bi-annual valuations of the properties forming the Victoria Park and Hembla portfolios, starting H1 2021, for financial reporting and capital raising purposes. We duly reported (the Original Report) for financial reporting purposes on 2 July 2021. This condensed report follows the Original Report and is prepared specifically for the purpose of the current offering.

Savills has valued the properties previously. More specifically we have valued parts of the portfolio quarterly between March 2015 and June 2020 and again in December 2020. Furthermore on 27 January 2021 we produced a condensed report (December 2020 valuation date) for bond issuance purposes.

Instruction

Savills carried out a determination of Market Value of the respective freehold interests of the properties in the subject portfolio (as defined below). For the purposes of this Valuation Report references to a "subject property" or "subject properties" shall mean a reference to any property or properties within the Victoria Park and Hembla portfolio.

The valuation is in accordance with the RICS Global Valuation Standards effective since 31 January 2020 of the Royal Institution of Chartered Surveyors ("Red Book") and the International Standards for the Valuation of Real Estate for Investment Purposes ("International Valuation Standards").

The Market Value is consistent with the "Fair Value" in accordance with IFRS 13 of the International Financial Reporting Standards (IFRS), published by the International Accounting Standards Board (IASB).

Subject Portfolio

The subject portfolio comprises 329 valuation objects, mainly residential properties, that are located throughout Sweden.

Scope of Work Carried Out

- In the assessment of the Market Value of the Subject Portfolio, inter alia, the following procedures were carried out:

- Analysis and interpretation of the portfolio information provided by the Instructing Party, e.g. tenancy and property schedules and other data materials relevant to the valuation,
- Site inspections of all subject properties in the years 2018, 2019, 2020 and 2021 in the course of the previous update valuations of Victoria Park and Hembla.
- Analysis of market, location and situation for each of the subject properties,
- Determination of Market Value at property level.

Instructing Party

Vonovia SE through Hembla AB and Victoria Park AB as agents for and on behalf of Vonovia SE.

(Hereinafter referred to as „Instructing Party")

Addressees

The Condensed Report is addressed to and only for the use of Vonovia SE for the purpose described below.

This Valuation Report refers to the position as at the date the Original Report was issued and unless confirmed by us in writing, Savills has taken no action to review or update the Valuation Report since the date it was originally issued.

Valuer

Savills Sweden AB

Regeringsgatan 48

111 56 Stockholm

Sweden

(Hereinafter referred to as „Savills")

Purpose of Valuation

This Valuation Report is for the purpose of the public offer in Germany and Luxembourg of newly issued shares by Vonovia SE and their admission to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and on the regulated market of the Luxembourg Stock Exchange (*Bourse de Luxembourg*) (the "Offering").

We acknowledge that our Valuation Report will be used by the Company as one of many sources for the determination of the Fair Value of its properties as part of a prospectus that relates to the Offering (the "Prospectus"). Savills prepared this Valuation Report only and accepts no responsibility for any other part of the Prospectus prepared in connection with the Offering.

The Valuation Report complies with the legal requirements, in particular the Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (as amended, the Prospectus Regulation) in connection with the Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 (as amended, the Delegated Regulation (EU) 2019/980) and the paragraphs 128 to 130 of the European Securities and Market Authority (ESMA) update of the Committee of European Securities Regulators' (CESR) recommendations for the consistent implication of (EC) no. 809/2004."

Liability

The Condensed Report is a summary of an original report addressed to Vonovia SE and dated 2021-07-02.

Savills aggregate liability to any one, or more, or all of the Addressees or any other party who otherwise becomes entitled to rely upon the Valuation Report or the Original Report, under or in connection with the Instruction Letter and this Valuation Report, however that liability arises, shall be limited as agreed in the Instruction Letter and/or in a separate reliance letter, as applicable, provided that the limitation on liability shall not apply in the event that an investor brings a claim against Vonovia SE as a result of Savills negligence in preparing the Valuation Report in which case the terms of the Side Letter shall apply.

Date of Valuation

30 June 2021

Report Date

The report date is 28 August 2021.

Currency

The relevant currency for this valuation is SEK.

Interest Valued / Tenure

In total, 279 properties are held on the Swedish equivalent of freehold title. The other 50 properties are held on leasehold title.

Publication / Disclosure

In accordance with the recommendations of the RICS, we would state that this report is provided solely for the purpose stated above. We acknowledge, agree and consent that this report will be published in unabbreviated form in the Prospectus and will be referred to in marketing and other materials (the "Materials") prepared in the context of (i) the public offer in Germany and Luxembourg of newly issued shares of the Company from a capital increase with subscription rights and (ii) the admission to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and on the regulated market of the Luxembourg Stock Exchange (*Bourse de Luxembourg*). The Prospectus will be accessible to potential investors on the Company's website.

This report is confidential, and no responsibility is accepted to any third party for the whole or any part of its contents. Any such parties rely upon this report at their own risk. Other than as described above, neither the whole nor any part of this report or any reference to it may be included now, or at any time in the future, in any published document, circular or statement, nor published, referred to or used in any way without our written approval of the form and context in which it may appear.

Nature and Source of Information relied on

The valuation has been substantially and mainly based upon the information supplied to us by Hembla and Victoria Park. Please refer to Section II "Sources of Information and Inspection" for a more detailed list of the information Savills has relied upon for the purposes of preparing this Valuation Report.

Definition of Market Value

Our valuation has been carried out in accordance with the RICS Global Valuation Standards effective since 31 January 2020 of the Royal Institution of Chartered Surveyors ("Red Book").

We have been instructed to value the subject properties on the basis of Market Value in accordance with RICS Global Valuation Standards 2020 (the "Red Book") which is defined as follows:

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after

proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

The "Market Value" is consistent with the "Fair Value" in accordance with IFRS 13 of the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), which is defined as follows:

"The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date:"

The assessment of Market Value has been carried out by Savills in accordance with the guidelines of the International Financial Reporting Standards (IFRS), the International Standards for the Valuation of Real Estate for Investment Purposes (International Valuation Standards) and the Valuation Standards of the Royal Institution of Chartered Surveyors (Red Book).

For the avoidance of doubt, a valuation complying with the "Red Book" requirements is compliant with the International Valuation Standards (IVS).

We confirm that we have sufficient current local and national knowledge of the particular property market involved and have the skills and understanding to undertake the valuation competently.

Assignment of Rights

The Addressees of this Valuation Report are not entitled to assign their rights under or in respect of the Framework Agreement and this Valuation Report – either whole or in parts – to any third parties.

Declaration of Independence & Status of Valuer

Savills hereby confirms to the best of its knowledge and belief that it has prepared this Valuation Report in its capacity as external valuer (as defined in the "Red Book") and independent expert.

We further confirm that Savills is not aware of any actual or potential conflict of interest that might have influenced its independent status.

The total fees, earned by Savills from Vonovia SE (or other companies forming part of the same group of companies), is less than 5% of the total Swedish revenues earned by Savills in the financial year 2020.

II. Sources of Information and Inspection

Information Sources

For the purpose of this Valuation Report we have mainly relied on the following information, provided to us by Hembla and Victoria Park:

- Rent roll regarding April 2021 as at July 2021
- Updated lists of investments as at April 2021
- Updated file regarding ongoing and upcoming apartment renovations as at April 2021
- Information regarding general rent increases for 2021 for apartments on municipality level.
- Previous valuations' and data for Hembla and Victoria Park as at 30 June 2019, 31 December 2019, 30 June 2020, 31 December 2020.
- Information regarding unused building rights with specific information such as estimation of extent of the building right, status for detail development plan, planned type of tenure, expected land development costs.

We have also included the following sources into our valuation:

- Savills Research
- Datscha
- SCB (Statistics Sweden)
- The Property Data Register (Lantmäteriet)

Individual questions and inconsistencies within the data was clarified with Hembla and Victoria Park via Q&A, email and by phone.

Inspection

In accordance with the general guidelines in Sweden regarding inspections all properties are inspected both external and internal every third year.

All conclusions made by Savills with regard to the condition and the actual characteristics of the land and buildings have been based on our inspection of the subject properties and on the documents and information provided (please see above).

In the event that only partial internal inspections were possible, it will be assumed that the parts that were inspected are typical of the remainder.

For the avoidance of doubt, Savills did not carry out any building or structural surveys of the subject properties nor tested any of the electrical, heating or other services.

The properties were not measured as part of Savills' inspection, nor were the services or other installations tested.

All Savills' conclusions resulting from the inspections are based purely on visual investigations without any assertion as to their completeness.

Furthermore, investigations that might cause damage to the subject properties have not been carried out. Statements about parts of the structure or materials that are covered or otherwise inaccessible are based on the information or documents provided (or on assumptions, respectively).

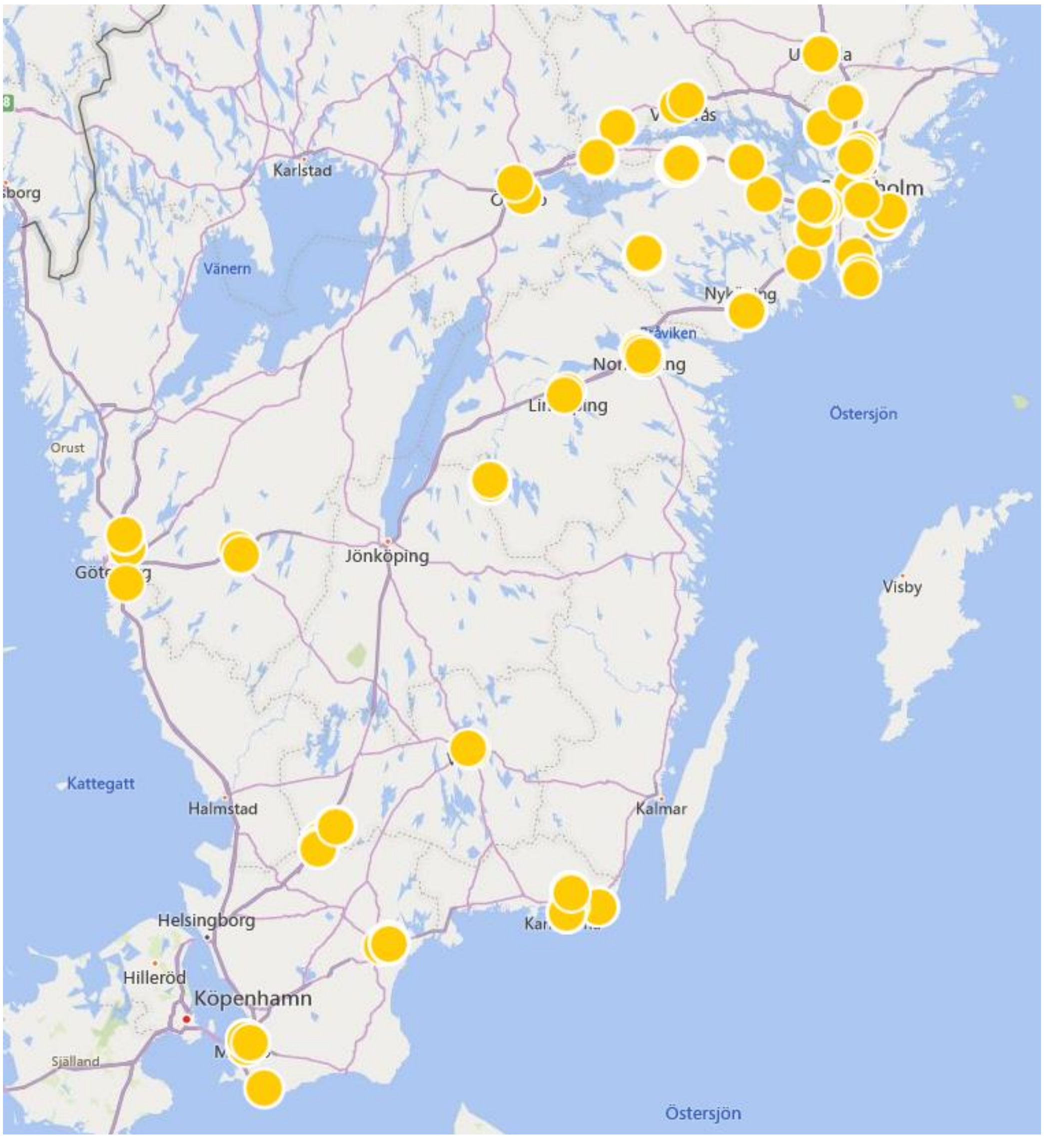
During 2021 Savills have inspected 93 valuation objects so far corresponding to about 23 % of the total portfolio. A breakdown of inspection years are shown in the table below.

Portfolio Overview by Company				
Year of inspection	No. Valuation objects	No. Valuation objects (Share of Total)	Market Value kSEK	Market Value (Share of Total)
2018	7	2,1%	5 858 834	8,5%
2019	118	35,9%	20 690 371	29,9%
2020	111	33,7%	26 959 780	38,9%
2021	93	28,3%	15 785 722	22,8%
Total	329	100,0%	69 294 707	100,0%

C. Portfolio Overview

Short Portfolio Profile

Subject to this Report are 329 valuation objects. Thereof mainly residential properties with ca. 38,000 apartments which are located all over southern Sweden. The largest property clusters are in Greater Stockholm area, Eskilstuna municipality and the very southern part of Sweden – the province Skåne. According to the provided rent roll the lettable area amounts to ca. 3,013,885 sqm with a Current Rent of 1,291 SEK/sqm p.a. as at valuation date 30 June 2021.



Tenure

In total, 279 properties are held on the Swedish equivalent of freehold title. The other 50 properties are held on leasehold title.

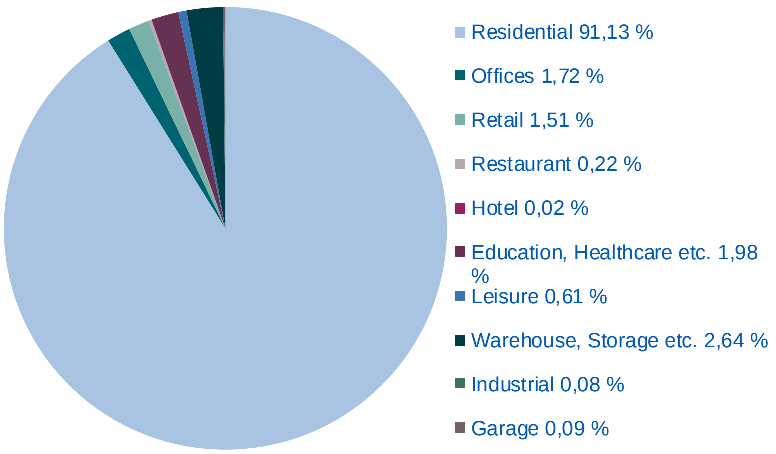
Portfolio Composition

The portfolio is comprised of the following types of space and units:

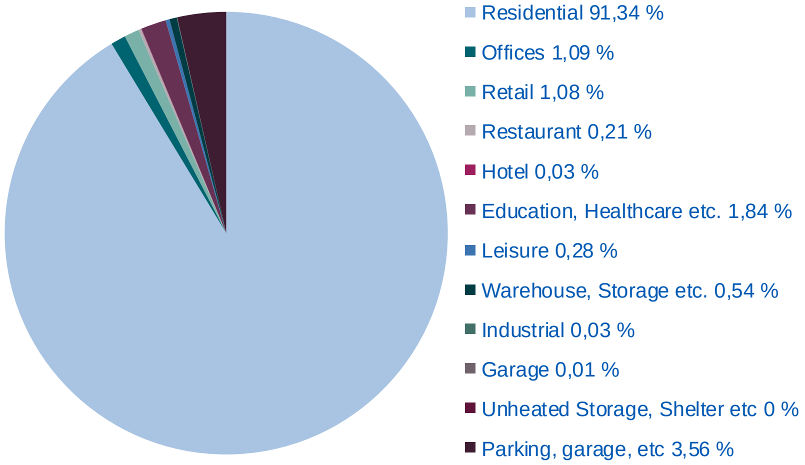
Type of Area	Lettable Area	Vacant Area		Current Rent (excl. discounts)	
	(sqm/no)	(sqm/no)	(%)	('000 SEK)	(SEK/sqm, no)
Residential	2 746 493	127 064	*4,6*	3 319 178	*1 267*
Offices	51 947	14 482	*27,9*	39 780	*1 062*
Retail	45 433	7 782	*17,1*	39 370	*1 046*
Restaurant	6 583	433	*6,6*	7 571	*1 231*
Hotel	713	0	*0,0*	964	*1 351*
Education, Healthcare etc.	59 542	8 425	*14,1*	66 838	*1 308*
Leisure	18 263	2 521	*13,8*	10 165	*646*
Warehouse, Storage etc.	79 697	37 798	*47,4*	19 525	*466*
Industrial	2 417	136	*5,6*	976	*428*
Garage	2 796	1 309	*46,8*	227	*153*
Unheated Storage, Shelter etc	0	0	*0,0*	0	*0*
Parking, garage, etc*	21 419	3 245	*15,2*	129 262	*7 112*
Sum	**3 013 885**	**199 950**	**6,6**	**3 633 856**	***1 291***

*not included in area summary

Distribution of lettable area per use



Distribution of current rental income (excl. discounts) per use



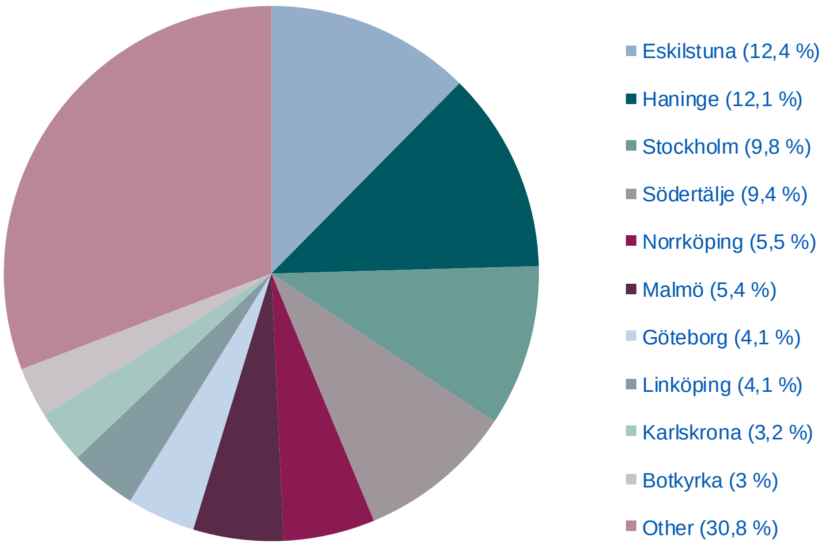
Location Analysis

The total gross rental income is diversified over many different municipalities of the portfolio. The largest cluster is Eskilstuna with ca. 12.4 % of the total gross rental income followed by three municipalities in the greater Stockholm area.

Top 10 municipalities by current rental income

#	Municipality	Lettable area	Current rental income	Current vacancy
		sqm	kSEK	
1	Eskilstuna	385 621	451 105	8,3%
2	Haninge	333 063	441 385	3,3%
3	Stockholm	288 060	354 625	3,5%
4	Södertälje	247 888	342 437	2,2%
5	Norrköping	173 696	201 007	9,1%
6	Malmö	153 097	197 776	2,5%
7	Göteborg	129 024	150 332	3,0%
8	Linköping	128 048	147 707	14,2%
9	Karlskrona	98 978	116 898	7,1%
10	Botkyrka	96 042	110 744	2,5%
> 10	Other	980 368	1 119 840	8,4%

Top 10 municipalities by current rental income



Seen to the current vacancy rate it is largest in Nynäshamn followed by Katrineholm.

Top 10 municipalities by current vacancy rate

#	Municipality	Lettable area	Current rental income	Current vacancy
		sqm	kSEK	%
1	Nynäshamn	22 677	21 965	28,9
2	Katrineholm	61 322	64 382	17,3
3	Tranås	69 956	61 912	16,9
4	Linköping	128 048	147 707	14,2
5	Köping	35 059	36 492	12,2
6	Nyköping	48 982	54 602	10,2
7	Strängnäs	35 508	40 670	9,3
8	Norrköping	173 696	201 007	9,1
9	Markaryd	57 288	55 260	8,5
10	Arboga	47 975	47 194	8,4
> 10	Other	2 333 373	2 902 663	4,6

D. Valuation Considerations

In this chapter we comment on our individual considerations in order to arrive at our Opinion of Market Value.

Please note that our opinion of value is carried out on the basis of a number of assumptions. In the absence of any information to the contrary in the Report, our Opinion of Value is based on, and subject to, the General Valuation Assumptions as described in section F.I of this Report together with the specific assumptions as stated in this report (including without limitation this section D).

In case of any discrepancies the specific assumptions as described in the following will prevail over the General Assumptions. If any of the aforementioned assumptions (General Assumptions or specific assumptions or other) are subsequently found to be incorrect or invalid, our Opinion of Value may need to be reconsidered.

I. Method of Valuation

General Valuation Procedure

The valuation has mostly been carried out on a single property basis. For some properties which are connected, such as joint tax assessed properties etc. we have valued the properties as one unit ("Valuation object").

Valuation Model

For the 329 long-term income-generating valuation objects, we have used a Discounted Cash Flow (DCF) model.

For more details about the DCF model and the underlying definitions of the key parameters, please refer to Chapter F "General Valuation Assumptions and Applied Definitions" of this Valuation Report.

Valuation of unused building rights

For more details about the valuation procedure of the unused building rights, please refer to Chapter F "General Valuation Assumptions and Applied Definitions" of this Valuation Report.

II. Portfolio Considerations

1. Constituents of the Subject Properties

Fixtures in the subject properties, such as passenger and goods lifts, other conveyor installations, central heating installations and other technical installations have been regarded as integral parts of the subject properties and have, therefore, been reflected in our determination of Market Value. Tenant's fixtures and fittings that would normally be the property of the tenant have not been reflected in our valuation.

2. Legal Aspects

Land Register

Savills has been provided, in relation to previous valuations, with land register lists in excel for all subject properties regarding tax assessment values and ground lease terms. In addition to this land register PDF files had been excerpted from Swedish Property Data Register when doing valuation reports for financing purposes. We assume that the information contained in these excel files are correct.

Public Encumbrances

The analysis of excerpted files from the Swedish Property Data Register files did not show any value effecting encumbrances. For the remaining, we assume that further public encumbrances have no impact on value.

Soil Contamination

In conjunction with providing valuation reports for financing purposes we have contacted local authorities regarding possible soil contaminations. The provided information did not show any value effecting contaminations. For the remaining properties, we assume that there are no value effecting contaminations.

3. Technical Aspects

We have been provided with information regarding planned capex and investments measures by the Instructing Party for the years 2021 until 2023.

In total the Capex, investments and apartment renovations amount to ca. SEK 946 million for the whole subject portfolio over the next three years.

Please note that Savills has not been instructed to perform any technical due diligence and does not possess the necessary detailed technical information

4. Tenancy Aspects

Rent Roll Information

Our valuation is based on the rent roll extracted on 7 April 2021 (with projected lease situation as of 1 July 2021) of the subject properties received from the Instructing Party.

A full verification of the provided tenancy schedule and the available lease agreements was not part of the scope of this Instruction. Savills therefore relied on the content of the tenancy schedule provided and assumed that the provided document reflects the status quo of all tenancies as at the Date of Valuation 30 June 2021 to a true and comprehensive extent. Please note that Savills cannot verify the accuracy or the completeness of the information of subject tenancies provided to Savills.

Overdue rent payments

Savills has not checked the status of contractually agreed rent payments as at the Date of Valuation. Provided that Savills had no information to the contrary, we have assumed that there are no overdue rent payments.

Lettable Area

In our valuation approach we have assumed that the provided information regarding lettable area is correct.

Please note that it may turn out in a formal measurement that the assumed size or split of lettable areas differs from the correct lettable areas per type of use. In this case our assumptions and valuation results have to be reconsidered and may have to be adjusted.

5. Environmental Aspects

In conjunction with providing valuation reports for financing purposes we have contacted local authorities regarding possible environmental hazards. The provided information did not show that the authorities were aware of any big value effecting contaminations. This has not been performed for all the properties in the portfolio.

For some properties where the client alerted us about known hazards we have added cost for remediations in the cash flows. The information about the contamination and the assessed costs for remediation were provided by the Instructing Party.

Please note that Savills has not been instructed to perform a complete environmental due diligence and does not possess the necessary detailed technical information. Therefore, Savills assumes without verification the accuracy and completeness of the provided information to Savills in this context. Should it subsequently turn out that additional contamination exists at the properties this may have a detrimental effect on the value reported.

III. Basic Cash Flow Considerations

Consideration of Rent-Setting for residential apartments in Sweden

Rents for residential apartments in Sweden are normally determined through negotiations between landlords and tenant representatives. There is no role in these proceedings for public parties, such as the central government and the municipalities. The negotiation system is supplemented by national consumer protection for private tenants.

Collective negotiations are normally conducted once a year on the initiative of the landlord. Negotiations often take place in the autumn, with rents usually being increased on 1 January of the following year.

Negotiations generally have two points on the agenda: the utility value of the apartments and changes to the cost of building and managing the property. The utility value is to be assessed objectively on the basis of how tenants generally value various characteristics such as type of apartment, location, environment, quality of property management, etc., and without regard to the landlord's costs. Part of the negotiation therefore relates to assessing the various utility values of the apartments and valuing these in monetary terms. In between negotiations the parties often work on both surveying the apartments' utility values (e.g. through documentation and by means of a points system) and ascertaining the values attributed by tenants (e.g. by means of questionnaires). Negotiations generally results in rent levels being adapted to the utility value when necessary, although this will be affected gradually where substantial rent adjustments are involved. As regards the cost of managing, the negotiations involve assessing cost increases within the sector. It is extremely rare for landlords to receive the full rent increase requested, but the agreement is usually some form of compromise.

There is a utility value system that exists alongside the negotiation system. The Regional Rent Tribunal conducts a utility value review to establish what is meant by a 'reasonable amount''. This means that they find out what rent is being charged for other apartments with a similar utility value; i.e. with approximately the same location, standard, equipment, etc. ('comparative apartments'). The limit for a reasonable rent is expressed as the highest rental level that other tenants pay for similar apartments, which may be exceeded by approximately five percent.

Market rents

Market rents indicated in this report are those which have been adopted by us as appropriate in assessing the capital value or the letting potential of the properties, being subject to market conditions that are either current or are expected in the short term. They are based on our experience in the markets and our knowledge of actual comparable market activity.

For the purpose of comparison, we considered market evidence by assessment of actual lettings of units with the same or a closest comparable use, where applicable and available. Applied market rents range as follows in the subject properties:

Type of Area	Current Rent (excl. discounts)		Market Rent	
	('000 SEK)	(SEK/sqm, no)	('000 SEK)	(SEK/sqm, no)
Residential	3 319 178	*1 267*	3 500 153	*1 274*
Offices	39 780	*1 062*	51 982	*1 001*
Retail	39 370	*1 046*	44 779	*986*
Restaurant	7 571	*1 231*	7 806	*1 186*
Hotel	964	*1 351*	964	*1 351*
Education, Healthcare etc.	66 838	*1 308*	72 761	*1 222*
Leisure	10 165	*646*	12 633	*692*
Warehouse, Storage etc.	19 525	*466*	35 126	*441*
Industrial	976	*428*	1 062	*440*
Garage	227	*153*	751	*269*
Unheated Storage, Shelter etc	0	*0*	0	*0*
Parking, garage, etc*	129 262	*7 112*	145 881	*6 811*
Sum	**3 633 856**	***1 291***	**3 873 897**	***1 285***

The current rents only summarize premises that are leased at the time of the valuation, while the market rents summarize all lettable area. For residential apartments there is, due to Swedish law, no actual market rents. The differences in current and market rent for the residential units is mainly because of ongoing apartment renovations which is, naturally, vacant at the date of the valuation.

Operating and maintenance costs

On the Swedish property market costs are usually dived into operating costs and maintenance costs. The operating costs can further be divided into tariff-based costs (heating, water and sewage, electricity, and garbage disposal), property management costs and costs for insurance and administration. The maintenance costs can further be divided into repairs/ongoing maintenance and periodic/planned maintenance.

Tariff-based costs can generally be allocated to the responsibility of tenants in commercial leases whereas there are much stricter regulations for residential leases. Residential tenants may be charged for the actual use of heating, water and electricity in return of a lower base rent. The costs are then paid as an addition to the actual rent.

For the purpose of valuing the subject properties, we received actual and budgeted costs in conjunction with previous valuations. Property costs varies greatly depending on the age, type, condition, location etc. of the property. For the valuations we have assessed a total cost for each property with the historical costs as basis. In addition to this we consider costs for similar properties and statistics such as REPAB. The average assessed costs per area type is shown below.

Type of Area	Estimated Op.- & Maint. Costs	
	('000 SEK)	(SEK/sqm, no)
Residential	1 294 992	*472*
Offices	19 819	*382*
Retail	17 530	*386*
Restaurant	2 742	*417*
Hotel	214	*300*
Education, Healthcare etc.	20 254	*340*
Leisure	5 478	*300*
Warehouse, Storage etc.	16 686	*209*
Industrial	560	*232*
Garage	293	*105*
Unheated Storage, Shelter etc	0	*0*
Parking, garage, etc*	14 352	*670*
Sum	**1 392 920**	***462***

*not included in area summary

Vacancies

For every property and every type of area for each property we assess a market vacancy rate/risk. The estimated market vacancy varies widely depending on the type of premises and the location of the property.

For vacant premises, a period for which the premises achieve market vacancy is assessed. This period varies between 6 and 36 months depending on the local type and the condition of the premises.

We have not assumed any structural vacancies in the valuations. Instead, premises that are considered very difficult to lease have been allocated a very low market rent.

In Sweden, there is a general housing shortage and in Statistics Sweden's latest survey, the vacancy for immediate rent in Sweden was 0.6%. In 2019, just over 14 400 dwellings were under repair or conversion and this was the most common reason for an unlet dwelling. The distribution of the number of vacant dwellings varies from one region to another. Among dwellings available for rent, 72 percent are located in municipalities with fewer than 75 000 inhabitants. The corresponding figure in metropolitan areas (Greater Stockholm, Greater Gothenburg and Greater Malmö) is 14 percent.

With this in mind, the long-term vacancy rate for residential premises varies between different municipalities in the valuation from 0.15 to 5 % with an average of circa 0.9 %. For the portfolio as a whole the average long-term vacancy risk is assessed to 1.5 %.

The current vacancy rates in the valuations are misleading since there is a long time between the excerpt of the data and the date of the simulated rent situation. For apartments, the general notice period is three months and apartments are generally put up for new renting one to two months in before the occupation day. This makes many apartments which most likely will be let at the valuation date show as vacant in the rent roll making the current vacancy rate falsely high.

Costs of Apartment Refurbishment

The client is constantly renovating a large number of apartments around Sweden, since this is the biggest prospect to get raised rents and approach a theoretical market rent. As a basis for the valuations, we have received information on ongoing and planned renovations for the coming months at an apartment level.

Savills are provided information regarding current rent, rent after renovation and costs for the renovation.

According to the data for Hembla there are 155 known upcoming or ongoing apartment renovations that will be done for renting during July to September 2021. These are spread on 64 different valuation objects and the average renovation cost sums to circa SEK 422,000 per apartment.

According to the data for Victoria Park there are 53 known upcoming or ongoing apartment renovations that will be done for renting during July to September 2021. These are spread on 24 different valuation objects and the average renovation cost sums to circa SEK 389,000 per apartment.

The costs for the upcoming renovations are put as investment during 2021 in the DCF-calculations.

Applied Growth and Inflation Assumptions

We have commonly applied inflation parameters in accordance with the latest report and the long-term goal for Sweden's central bank – the Riksbank. The rental and costs growth are assumed to follow the inflation. Therefore our DCF calculations have a growth of 1.5 % during 2021 and 2.0 % for the coming years in accordance with the long-term goal.

Furthermore, regarding rental growth, we have assumed that current and market rents grow according to actual indexation terms or according to the assumed inflation rates.

Rates in DCF Calculations

We applied the following range of rates for the individual assets:

Internal yields and rates

	Minimum	Maximum	Average *
Discount rate	4,60%	21,67%	5,41%
Exit Capitalisation Rate	2,65%	9,75%	3,39%

* Weighted by DCF Value

Please note that Discount Rates and Exit Cap Rates are related to the underlying cash-flow assumptions made for each property. To back-up our valuation results, we have considered comparable transactions and/or market databases.

E. Valuation Results

I. Opinion of Market Value

We are of the opinion that the Market Value of the subject properties as at 30 June 2021 is:

SEK 69 294 707 000

(Sixty-nine billion two hundred and ninety-four million and seven hundred and seven thousand Swedish krona)

Our opinion of Market Value is equivalent to:

Market Value per sqm	22 992 SEK
Gross Multiplier on Current Rent	19.07 fold
Gross Multiplier on Market Rent	17.89 fold
Net Initial Yield (NIY) on Current Rent	3.21%
Net Initial Yield (NIY) on Market Rent	3.56%

*Initial yields before investment and TI:s

In addition to this value we are of the opinion that the Market Value of the unused building rights as at 30 June 2021 is SEK 1 080 840 000, (One billion and eighty million and eight hundred and forty thousand Swedish krona).

II. Comment on all Valuations Results

The Market Value of the Subject Portfolio reported is the aggregate total of the individual properties and not necessarily a figure that could be achieved if the Subject Portfolio were to be sold as a whole (Individual valuation principle).

Savills has been informed by Hembla and Victoria Park that there have not been material changes to the building stock of the subject portfolio between the date of valuation 30 June 2021 and the date of this Valuation Report.

For and on behalf of

Savills Sweden AB

Karin Zakariasson, MRICS, Director, Head of Valuation

By Samhällsbyggarna authorized Valuer

Lars Rickardson, Director

By Samhällsbyggarna authorized Valuer

F. General Valuation Assumptions and Applied Definitions

In the following chapter, we comment on the applied method in arriving at our opinion of value as defined in the scope of this Instruction.

I. General Valuation Assumptions

In the absence of any information to the contrary in the Valuation Report (in particular in section D containing specific valuation assumptions and considerations), this valuation has been carried out on the basis of the following assumptions (the "General Assumptions"). If any of these assumptions are subsequently found to be incorrect or invalid, the valuation result(s) in our Valuation Report may need to be reconsidered.

1. Information

The Instructing Party (and any third parties acting on request of the Instructing Party) has provided Savills with complete, correct and current information and documents as requested by Savills or which are reasonably relevant to Savills in carrying out the agreed Services (in particular the preparation of the Valuation). The Instructing Party did not retain any material facts which may impact the valuation of the real estate (ground) and buildings valued in our Valuation (collectively the "Properties", each a "Property"). Unless otherwise stated in the Valuation, Savills has not verified the information submitted (in particular, but not limited to, where it is stated in the Valuation Report that Savills has "assumed" or "relied" on information). Savills has not requested any information from public authorities, registers or courts.

2. Title

Unless otherwise stated in the Valuation Report, we have valued the 329 valuation objects and the unused building rights.

It is assumed that the freehold interest is not subject to any restrictions and encumbrances contained in the land register and that no claims or obligations are present in this regard.

Further, the Valuation of Savills does not consider any mortgages or land charges contained in of the land register.

3. Buildings

The buildings are structurally sound. There are no structural (latent or other) material defects (including rot) which may have influence on the valuation.

In the construction or alteration of the building(s) no use was made of any deleterious or hazardous materials or techniques, such as high alumina cement, calcium chloride additives, wood wool slabs used as permanent shuttering or comparable materials. There are no dangers to health of occupants or tenants resulting from the actual condition of the buildings (for example resulting from contamination with asbestos or mold). Savills has not carried out any investigations concerning these matters.

4. Land

Savills assumes that the site is appropriate and has load bearing capacity suitable for the realized or anticipated form of development, that no abnormal ground conditions exist and no additional or unusual expenditure on, for example, foundations or drainage systems are required. The ground does not contain any archaeological remains. There are no underground mineral or other workings, noxious substances or any other matters that may cause additional costs or delay.

5. Services

The Properties are connected, or capable of being connected, without undue expense, to the public services of electricity, water, telecommunications, sewerage and district heat, where available.

6. Contamination of Land and Buildings

Unless otherwise stated in this Valuation Report, the properties (land and buildings) are not contaminated, and each Property is not and never has been subject to any contaminating or potentially contaminating uses, nor is it likely to become contaminated in the foreseeable future.

Savills has not carried out any investigations with respect to potentially existing environmental contaminations or in order to identify any such contamination.

7. Legal Matters

The buildings were erected in accordance with construction permits, and every building complies with all statutory or local authority requirements. All necessary consents and authorizations for the use of the Properties and the processes carried out at the Properties (in particular to be issued by public authorities, neighbours or other third parties) are in existence, will continue to subsist and are not subject to any onerous conditions.

It is assumed that there are no unusual restrictions with respect to the occupation of the Properties or the level of rent.

8. Lease Agreements; Other Agreements

The tenants are creditworthy and capable of meeting their obligations. There are no arrears of rent or breaches of covenants. It is assumed by Savills that lease agreements and any other agreements provided to Savills are valid, meet the legal requirements of the written form, and no facts do exist which would entitle a party to terminate or cancel such agreements prior to expiry of the agreed term, e.g. by early termination, rescission or likewise.

9. Taxes, Public Contributions, Development Charges

Unless otherwise stated in this Valuation Report, all public taxes, charges and contributions levied by public authorities with respect to the site development, have entirely been levied and paid as at the Date of Valuation. In particular it is assumed that no public infrastructure contributions or similar contributions will be levied in the future.

10. Public Encumbrances; Monumental Protection and likewise

The Properties are not subject to any public encumbrances which may give reason for a reduction of the valuation.

None of the Properties to be valued is subject to monumental protection.

It is assumed that none of the Properties is adversely affected, nor is it likely to become adversely affected, by any highway, town planning or other schemes or proposals.

Savills did not undertake any investigations (for example local searches, enquiries or review of any statutory notices) in order to identify matters adversely affecting the present or future value of the Properties.

11. Subsidies

Unless otherwise stated in this Valuation Report, all valuations are given without consideration of subsidies or grants, received or potentially receivable, and any obligations or limitations in this coherence which could influence the value of the Properties.

12. Statements by Officials

Oral statements by public officials, particularly involving factual information, cannot be regarded as legally binding. Savills assumes such oral statements to be correct; however, Savills is unable to accept any liability for the application of any such statements or information in the Valuation Report.

13. Insurance

The Properties are covered by a valid adequate and appropriate insurance policy as regards the sum assured and the types of potential loss covered.

14. Fixtures and Fittings

Excluded from our valuations is any additional value attributable to goodwill, or to fixtures and fittings which are only of value in situ to the present/future occupiers.

15. Valuation of Portfolios (Aggregation)

Unless otherwise stated in the Valuation Report, each Property – even if it is part of a portfolio – has been valued individually.

16. Insolvency

Savills does not take account of any possible effect that the appointment of either an insolvency administrator or an administrative receiver or a compulsory auction might have on the perception of the properties in the market and their subsequent valuation, or the ability to realize the value of the properties in either of these scenarios

II. Rents, Income and Vacancy

1. Current Rent

Definition

In our valuations, the current rental income (or current rent) is defined as the rent passing as at the Date of Valuation. The current rent is excluding VAT.

Method of Determination

If not stated otherwise in the report, we have considered the current rent for each lettable unit as stated in the rent roll provided by the Instructing Party.

Since the rent roll is prior to the valuation date, there may be minor differences in the actual rent and vacancy rates when comparing a more recent rent roll and our valuation.

Among other reasons, this is the result of leases which expire between these dates. In the event that a lease end of lettable area is prior to the valuation date, we consider this as vacant in our valuation as of the valuation date (even if these are rented according to the rent roll).

In accordance with the Instruction, Savills did not carry out a full due diligence.

2. Market Rent

Definition

Our Valuation has been carried out in accordance with the RICS Global Valuation Standards effective since 31 January 2020 of the Royal Institution of Chartered Surveyors (the "**Red Book**"). The definition is in line with the IVS 104 paragraph 40.1.

"Market Rent is the estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

The market rent is excluding VAT.

Method of Determination

We research comparable rents by taking into consideration key aspects such as property location, condition and the fit-out standard of rental units as well as common marketing incentives by the landlords (e.g. tenant improvements or rent free periods). With our in-house database, we analyze comparable leases and currently available offers of space to rent. Furthermore, we analyze all leases which were recently closed in the subject asset(s) ("recent lease agreements").

3. Net Operating Income (NOI)

Definition

The net operating income (NOI) is defined as the passing rent after deducting all non-recoverable costs. It is the net cash-flow generated by a property at a point in time or in a time period.

Method of Determination

Generally, the following periodical non-recoverable costs will be deducted from the passing rent:

- Operating Costs
- Maintenance Costs
- Property tax
- Ground Rents (if applicable)

Furthermore, the following event related non-recoverable costs will be deducted from the passing rent within the cash-flow term:

- Costs for Tenant Improvements
- Costs for Investments
- Capex for Deferred Maintenance (if applicable)

4. Vacancy Rates

In this report, two following different vacancy rates are displayed:

- The area vacancy rate is defined by vacant space (in sqm) divided by the total lettable space (in sqm).
- The economical vacancy rate is expressed as a percentage being the estimated rental value (in SEK) of vacant space divided by the estimated rental value ERV of the whole property.

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III. Values and Results

1. Market Value

Definition

Our Valuation has been carried out in accordance with the RICS Global Valuation Standards effective since 31 January 2020 of the Royal Institution of Chartered Surveyors (the "**Red Book**"). We have been instructed to value the properties within the Subject Portfolio on the basis of Market Value. The definition is in line with the IVS 104 paragraph 30.1.

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

The Market Value is consistent with the "Fair Value" in accordance with IFRS 13 of the International Financial Reporting Standards (IFRS), published by the International Accounting Standards Board (IASB).

Method of Calculation: Discounted Cash Flow (DCF)

For the valuation of long-term income-based properties, we have applied a DCF approach.

The DCF method is a two-stage financial mathematical model to determine the cash value of the future yield of the properties, which is viewed as its present value. In this coherence, a detailed forecast computation of the revenue and expenditures for a "holding period" of usually 5 years is compiled.

Accordingly, our DCF model involves a period-by-period estimation of gross income, i.e. rental income, and of any expenditure which shall not be recovered by third parties. Any estimation for the aforementioned will explicitly be taking into account a range of variables. For example, the estimation of income is substantially and mainly based on the existing contractual agreements as well as market development forecasts. Expenditures, on the other hand, may occur regularly in each period, i.e. costs of management, ongoing maintenance and non-recoverable service charges.

However, one-off costs for anticipated renovations as well as investments will also be deducted but considering a specified scheduled time of expenditure in the future.

As a result, the net operating income (NOI) will be calculated for each period, reflecting the anticipated development of the properties over the applied time period. Secondly, the hypothetical sales price at the assumed time of exit will be calculated. Generally, the sales price will be based upon the NOI at market level of the future year after the holding period. Hence, the NOI at market level will be capitalized with the exit capitalization rate in perpetuity in order to derive the Gross Exit Value. However, if fixed leases expire after the holding period, the Gross Exit Value will be adjusted by the capital value of a (potential) over-/ under-rented situation. Please note that in our model those capital value adjustments will be displayed as adjustments to the NOI (calculated in perpetuity).

Finally, both main results of the two-step calculation, i.e. the sum of all NOI and the hypothetical purchase price - will be discounted at the discount rate effective at the Date of Valuation. The result of this step is the DCF Value as at that date.

The applied rates are normally set by comparing money market rates (i.e. interest rate for risk-minimized investments) and allowing for the relative disadvantages of real estate ownership. These are generally considered as adjustments to the base rate due to the risks revolving from the specific type of property, due to the risks of illiquidity (marketing periods, costs of transaction etc.) and due to the potential of additional costs of portfolio management.

These risks are evaluated according to the following categories for each property, e.g. by conducting a structured property rating:

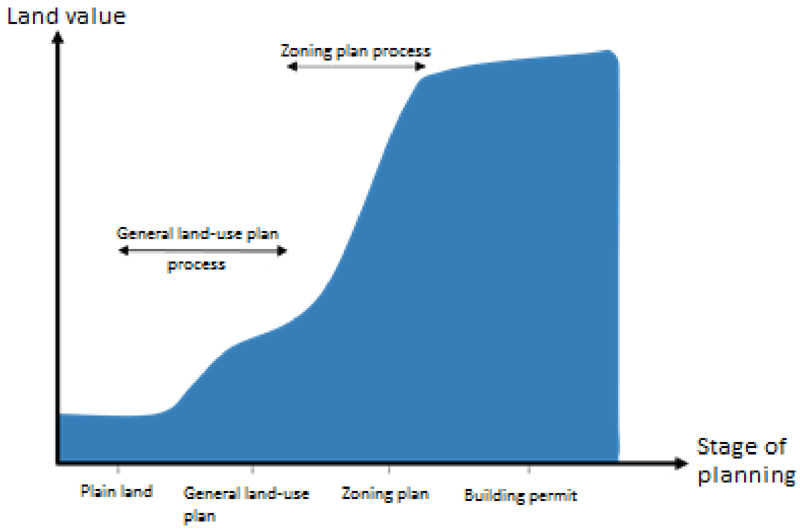
- Quality of the macro location (i.e. image, socio-demographics, economy, etc.)
- Quality of the micro location (i.e. local image, local supplier market adequacy for the specific property use, infrastructure, etc.)
- Quality of the building (i.e. age and condition of building, concept of areas/ architecture, fit-out, alternative usability, energy management, plot characteristics, etc.)
- Quality of cash flow (i.e. letting concept, length of lease terms, agreements on ancillary costs, covenant of the tenant, current vacancy, ability for re-letting)

The exit capitalization rate is the reciprocal of the multiplier on potential rent less non-recoverable costs at the end of the cash flow period and is mainly derived from the quality of the location (including the land value) and the building quality.

2. Valuation of unused building rights

The value of a property can be derived from its future cash-flows. There are however some special considerations when valuing premises that are yet to be constructed. Firstly, the future cash-flow from new premises, in form of rent or transaction price, must be enough to make up for invested capital and some reasonable yield in order for the construction of the premises to be justified. The value of the land depends on how much new lettable area that might be constructed and one how far the planning process has progressed.

If no municipal (or county) plan exists there is little to no expected additional value to the land. If there is a general plan for land use and an interest from the municipality to develop the land further, a future expected value might be added to the original value of the land. When the process of a new zoning plan is initiated the future expected value of the land often increases rapidly. When a building permit is obtained the value of the building rights has reached its maximum value.



Building rights might be thought of as the options of the property market and are often bought for a price that may be assessed today but under the special condition that a zoning plan will be in place when the buyer is to occupy the premises. When assessing the price, one takes into account the extra risk that comes from the planning process, the risk that comes from market volatility, and the uncertainty regarding the timeframe of the project.

At the early stages of the planning process the added risk is great, but it diminishes the closer to a finished zoning plan the municipality comes. Thus the expected value rises.

Valuation appraisal regarding undeveloped properties (including contaminated and value add properties) are performed as assessments of the value of new development, with cost regarding decontamination and development considered. The assessments are based on the current conditions regarding city planning and observed price levels in transactions of undeveloped properties/building rights.

For the valuations Hembla and Victoria Park has supplied information regarding possible and existing building rights on their properties. The information includes the size of the building right, named property, type of building planned, type of tenure and status for the detailed development plan.

To assess the value of the building rights we have mainly used comparable transactions from Savills database of land sales. As support for the assumed values we have also performed residual calculation comprising the value of the project as when completed, from which the costs of development are subtracted. Such calculations are sensitive to the ingoing parameters of rent, operating and maintenance costs, and development costs, and the precision can thus vary considerably depending on how exact such information is. The information used is derived from analysis of market conditions and actual data from comparable transactions and projects. Assigned valuation parameters in the residual calculation are based on analyses of the below factors

- The property's market position and market conditions
- Development costs of comparable properties
- Marketable rental conditions
- Operating and maintenance costs for similar properties
- Assessed marketable yield level

Building rights values derived from a residual calculation lend support in the valuation appraisal made from the analyses of land allocations and transactions that are deemed comparable. This results in a final appraisal of the building rights value.

IV. Yields and Multipliers

1. Gross Multipliers

A gross multiplier expresses the ratio of the market value to the rental income of a property. In our report, we state two different kinds of gross multipliers:

- Gross Multiplier on Current Rent = Market Value / Current Rent
- Gross Multiplier on Market Rent = Market Value / Market Rent

Please note that the Gross Multiplier on Current Rent can be misleading if the property is currently let at rents considerably below average or has significant vacancies. In those cases, we suggest also to consider multipliers and yields on market rents.

2. Net Initial Yields

A Net Initial Yield expresses the ratio of the Net Operating Income (Rental income as of Date of Valuation reduced by operating and maintenance costs, vacancy losses and further non recoverable costs) to the DCF Value.

In our report, we state two different kinds of Net Initial Yields:

- Net Initial Yield on Current Rent = Net Operating Income derived from Current Rent / Market Value
- Net Yield on Market Rent = Net Operating Income derived from Market Rent / Market Value

Please note that the Net Initial Yield on Current Rent can be misleading if the property is currently let at rents considerably below average or has significant vacancies. In those cases we suggest also to consider multipliers and yields on market rent.

JLL Valuation Report as at December 31, 2020

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Valuation Report

The valuation of the **Deutsche Wohnen SE** portfolio (the "portfolio") as specified below has been prepared by Jones Lang LaSalle SE ("JLL") in accordance with the International Standards for the Valuation of Real Estate for Investment Purposes (International Valuation Standards), the Valuation Standards of the Royal Institution of Chartered Surveyors (as per the Red Book) and the International Financial Reporting Standards (IFRS). The calculation of the Market Value (Fair Value) as at valuation date has been carried out by JLL for properties directly or indirectly held by Deutsche Wohnen SE.

The Deutsche Wohnen SE portfolio consists of two sub-portfolios (residential portfolio / commercial portfolio) mainly located in Berlin, Dresden, Frankfurt am Main, Leipzig and Hanover. The land portfolio (undeveloped plots and plots with project developments) is <u>not</u> part of this valuation report. The nursing and assisted living sub-portfolio was not valued by JLL and is therefore not the subject of this valuation report.

The residential portfolio consists of 155,255 residential units with a lettable area of 9,341,371 m^2 and 2,818 commercial units with a lettable area of 359,876 m^2. Furthermore, the portfolio includes 13,904 underground garages, 17,307 outdoor parking spaces and 7,626 "other rental units" (e.g. antenna contracts, tenant gardens). The total lettable area of the commercial portfolio is 54,037 m^2.

Client

Vonovia SE
Universitätsstraße 133
44803 Bochum (Germany)

Deutsche Wohnen SE
Mecklenburgische Straße 57
14197 Berlin (Germany)

Valuer

Jones Lang LaSalle SE
Rahel-Hirsch-Straße 10
10557 Berlin (Germany)

Date of Valuation

31 December 2020

Date of Valuation Report

12 November 2021

Jones Lang LaSalle SE
International Real Estate Consultants
Frankfurt/Main
Local Court Frankfurt/Main, HRB no. 10805

Certified according to ISO 9001
CEO Central Europe: Sabine Eckhardt

Summary of Valuation Results

JLL is of the opinion that the aggregate of the individual Market Values (Fair Values), based on the information provided by Deutsche Wohnen SE and subject to the assumptions and comments detailed in section 1.10 and 5, of the properties in the Deutsche Wohnen SE portfolio as at the effective date of valuation 31 December 2020 was as follows (rounded):

€ 25,992,206,000

(Twenty-Five Billion Nine Hundred Ninety-Two Million Two Hundred and Six Thousand Euros)

and is made up as follows:

Sub-Portfolio	Market Value (€)	Share
Residential Portfolio	25,843,006,000	99.4%
Commercial Portfolio	149,200,000	0.6%
Total	**25,992,206,000**	**100.0%**

Source: JLL

The commercial portfolio comprises the following valuation units: WIE 1208.1 - 1208.3: "eBay Campus", 14532 Kleinmachnow, WIE 1400.469: "Tempelhofer Weg", 12347 Berlin, WIE 1208.4: Niedersachsenring 13, 30163 Hannover, WIE 1208.5: Dorfstr. 17-19, Wilkenburger Str. 2, 30519 Hannover with a total lettable area of 54,037 m². Due to the small proportion of the commercial portfolio, the following information and figures refer exclusively to the residential portfolio (apart from chapter 1.8 and 4).

The land portfolio (undeveloped plots and plots with project developments) is <u>not</u> part of this valuation report. The nursing and assisted living sub-portfolio was not valued by JLL and is therefore <u>not</u> the subject of this valuation report.

The above figure represents the aggregate of the individual property market values and is understood as the value without regard to auxiliary purchase costs (legal costs, agent's fees and where applicable land transfer tax) normally incurred by the purchaser. No allowance has been made for any expenses of realisation or for taxation and it does not reflect any addition or reduction on the sale of the portfolio as a whole, which may arise in the event of a disposal. No asset of the subject portfolio has a negative Market Value nor Liquidation Value (for properties that generate no positive cash flow, nor are projected to generate a positive cash flow going forward).

The subject portfolio consists of existing and income generating properties. JLL applied the Discounted Cash Flow valuation method to derive the individual Market Value as of 31 December 2020.

The following table shows the distribution of the Market Value between freehold and leasehold assets as of 31 December 2020.

Typ of Ownership	Market Value (€)	Share
Freehold	25,615,938,000	98.6%
Leasehold	376,268,000	1.4%
Total	**25,992,206,000**	**100.0%**

Source: JLL

The following table shows a breakdown of the Market Value per Deutsche Wohnen SE strategic cluster:

Strategic Cluster	Market Value (€)	Share	per m² (€)	Net-Multiplier
Core+	24,958,850,000	96.0%	2,756	32.5
Core	1,018,996,000	3.9%	1,490	20.3
Non-Core	14,360,000	0.1%	1,046	14.7
Total	**25,992,206,000**	**100.0%**	**2,664**	**31.8**

Source: JLL

The following table shows the summary results of the Deutsche Wohnen SE portfolio valuation:

Residential

Valuation Results

Gross Capital Value	Rounded	27,845,936,000
Purchasers Costs		7.8%
Net Capital Value (Market Value)	**Rounded**	**25,843,006,000**
Net Capital Value (Market Value) / m²	**Rounded**	**2,660**

Source: JLL SE

Commercial

Valuation Results

Gross Capital Value	Rounded	160,600,000
Purchasers Costs		7.6%
Net Capital Value (Market Value)	**Rounded**	**149,200,000**
Net Capital Value (Market Value) / m²	**Rounded**	**2,760**

Source: JLL SE

Residential

Key Figures

Net Rental Income	Contractual Rent	811,027,591
Potential Rent	Potential Rent (year 1)	836,635,212
Market Rent	Market Rent	990,434,311
Net Initial Yield (Current Rent)	Net Operating Income / Gross Capital Value	2.2%
Net Initial Yield (Potential Rent)	Potential Rent less Operating Costs / Gross Capital Value	2.4%
Net Initial Yield (Market Rent)	Market Rent less Operating Costs / Gross Capital Value	3.0%
Multiplier (Current Rent)	Market Value / Contractual Rent	31.9
Multiplier (Potential Rent)	Market Value / Potential Rent	30.9
Multiplier (Market Rent)	Market Value / Market Rent	26.1
Net Capital Value (Market Value) / m²	Market Value / Lettable Area	2,660

Source: JLL SE

Commercial

Key Figures

Net Rental Income	Contractual Rent	7,124,441
Potential Rent	Potential Rent (year 1)	7,136,609
Market Rent	Market Rent	8,452,835
Net Initial Yield (Current Rent)	Net Operating Income / Gross Capital Value	4.1%
Net Initial Yield (Potential Rent)	Potential Rent less Operating Costs / Gross Capital Value	4.1%
Net Initial Yield (Market Rent)	Market Rent less Operating Costs / Gross Capital Value	4.9%
Multiplier (Current Rent)	Market Value / Contractual Rent	20.9
Multiplier (Potential Rent)	Market Value / Potential Rent	20.9
Multiplier (Market Rent)	Market Value / Market Rent	17.7
Net Capital Value (Market Value) / m²	Market Value / Lettable Area	2,760

Source: JLL SE

1. Brief and Scope of Instruction

1.1 Preamble

JLL prepared full valuations of the Deutsche Wohnen SE portfolio for accounting purposes annually as well as semi-annually valuation confirmations based on Deutsche Wohnen SE annual report strategic / metropolitan region cluster level since 31 December 2018.

1.2 Instruction & Purpose of Valuation Report

In accordance with the engagement letter by Deutsche Wohnen SE dated 13 July 2018, JLL has examined the properties of Deutsche Wohnen SE and carried out a valuation to determine the Market Value (Fair Value) at valuation date.

1.3 Addressee

The valuation report is addressed to and may be relied upon only by:

Vonovia SE, Universitätsstraße 133, 44803 Bochum (Germany)
Deutsche Wohnen SE, Mecklenburgische Straße 57, 14197 Berlin (Germany)

The valuation report is intended solely for the addressee and may be used only for the purpose specified here.

1.4 Purpose & Publication

We understand and acknowledge that this Valuation Report will be included in a prospectus for the public offering in Germany and Luxembourg of newly issued shares by Vonovia SE in connection with a subscription capital increase and their admission to trading on the regulated market segment (regulierter Markt) of the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse) and on the regulated market of the Luxembourg Stock Exchange (Bourse de Luxembourg) (the "Prospectus") pursuant to the Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the Prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (as amended, the "Prospectus Regulation") in connection with the Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 (as amended, the Delegated Regulation (EU) 2019/980) and the ESMA update of the CESR recommendations (paragraph 128-130) dated 20 March 2013 (ESMA/2013/319) (the "CESR Recommendations").

The background and purpose of the capital increase is the partial refinancing of the voluntary takeover of Deutsche Wohnen SE by Vonovia SE. The new shares from the capital increase by Vonovia SE will be publicly offered in Germany and Luxembourg and, in addition, privately placed in certain jurisdictions and are to be admitted to trading on the regulated market of the Frankfurt Stock Exchange and the Luxembourg Stock Exchange.

Following approval of the Prospectus by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht), a copy of the Prospectus together with a certificate of its approval will be notified and delivered to the Commission de Surveillance du Secteur Financier in Luxembourg pursuant to article 25(1) of the Prospectus Regulation.

The Valuation Report complies with the legal requirements, in particular the Prospectus Regulation and the CESR Recommendations.

JLL acknowledges and agrees that this report will appear in unchanged and signed form in the Prospectus and will be referred to in marketing and other materials prepared in the context of (i) the public offer in Germany and Luxembourg of newly issued shares of the Company from a capital increase with subscription rights and (ii) the admission to trading on the regulated market segment of the Frankfurt Stock Exchange and on the regulated market of the Luxembourg Stock Exchange of these newly issued shares. The Prospectus will be accessible to potential investors on Vonovia SE's website. Apart from that, before this report, or any part thereof, is reproduced or referred to in any other document, circular or statement and before its contents (other than as contemplated in this Prospectus), or any part thereof, are otherwise disclosed verbally or otherwise to a third party, JLL's prior written approval as to the form and context of such publication or disclosure must be obtained. For the avoidance of doubt, such an approval is required whether or not JLL is referred to by name and whether or not the contents of our report are combined with other additional information. Such approval shall not be unreasonably withheld. Notwithstanding the foregoing, the contents and data contained in the report may be cited and summarised elsewhere in the Prospectus and the offering circular.

1.5 Assignment of Rights to Third Parties

The addressee of the valuation report is not entitled to assign their rights – either completely or in part – to third parties.

1.6 Status of Valuer and Conflicts of Interest

We confirm that JLL has undertaken the valuation acting as external valuer, as defined by the RICS Red Book, qualified for the purpose of the valuation. Furthermore, we confirm that JLL has acted as an independent valuer according to the CESR Recommendations. Finally, we confirm that JLL is not aware of any actual or potential conflict of interest that may have influenced its status as external or independent valuer.

1.7 Scope of Work

The scope of work has been carried out for the market valuation, including the following processes:

- Analysis and evaluation of the provided property information (e.g. property database, rent roll, land register extracts etc.)
- Inspection (either interior or exterior) of approx. 83% % of the lettable area

- Market and locational analysis of all the properties
- Determination of the Market Value.

1.8 Subject of Valuation

In accordance with the engagement letter, the subject of the valuation is the Deutsche Wohnen SE portfolio, which consists of two sub-portfolios (residential portfolio / commercial portfolio). The properties within the subject portfolio are all located in Germany, mainly in Berlin, Dresden, Frankfurt am Main, Leipzig and Hanover. The land portfolio (undeveloped plots and plots with project developments) is not part of this valuation report. The nursing and assisted living sub-portfolio was not valued by JLL and is therefore not the subject of this valuation report.

According to the information provided by Deutsche Wohnen SE, the subject properties are owned by Deutsche Wohnen SE or its entitled subsidiaries.

The residential portfolio consists of 155,255 residential units with a lettable area of 9,341,371 m^2 and 2,818 commercial units with a lettable area of 359,876 m^2. Furthermore, the portfolio includes 13,904 underground garages, 17,307 outdoor parking spaces and 7,626 "other rental units" (e.g. antenna contracts, tenant gardens).

The commercial portfolio comprises the following valuation units: WIE 1208.1 - 1208.3: "eBay Campus", 14532 Kleinmachnow, WIE 1400.469: "Tempelhofer Weg", 12347 Berlin, WIE 1208.4: Niedersachsenring 13, 30163 Hannover, WIE 1208.5: Dorfstr. 17-19, Wilkenburger Str. 2, 30519 Hannover with a total lettable area of 54,037 m^2.

Sub-Portfolio	Residential		Commercial		Parking	Miscellaneous	Total		Net Rental Income p.a.
	Units	Lettable area (m²)	Units	Lettable area (m²)	Units	Units	Units	Lettable area (m²)	Total (€)
Residential Portfolio	155,255	9,341,371	2,818	359,876	31,211	7,626	196,910	9,701,247	811,027,591
Commercial Portfolio	0	0	-*	54,037	772	-*	772	54,037	7,124,441
Total	**155,255**	**9,341,371**	**2,818**	**413,913**	**31,983**	**7,626**	**197,682**	**9,755,284**	**818,152,032**

Source: JLL

* Within the commercial portfolio, commercial and miscellaneous units are not recorded as units but as areas.

Due to the small proportion of the commercial portfolio, the following information and figures refer exclusively to the residential portfolio (apart from chapter 1.8 and 4).

1.9 Valuation Definitions

Market Value

Our valuation has been prepared in accordance with the RICS Valuation – Professional Standards (current edition) published by the Royal Institution of Chartered Surveyors (RICS) as well as the standards contained within the TEGoVA European Valuation Standards, and in accordance with IVSC

International Valuation Standard 1 (IVS 1), the International Accounting Standards (IAS), International Financing Reporting Standards (IFRS) as well as the current guidelines of the European Securities and Markets Authority (ESMA) on the basis of Market Value. This is included in the General Principles Adopted in the Preparation of Valuations and Reports of JLL. This is an internationally accepted basis of valuation. The Market Value is defined as:

'The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.'

The above definition concurs with that of Market Value defined by the RICS Valuation – Professional Standards (current Edition) published by the Royal Institution of Chartered Surveyors and is also generally consistent with the definition of Market Value as adopted by the International Accounting Standards Board (IASB).

1.10 Database

JLL was provided with a rent roll as of 30 September 2020, which included information such as address, number of units and lettable area by use, vacancies, and rental income at the rental unit level. This was used as the data base for the valuation. With regard to rental income, JLL relied on the actual rents shown in the lists. For new acquisitions in the period 1 October 2020 up to and including 31 December 2020, a tenant list was provided as of the reporting date 31 December 2020.

Furthermore, the following documents, among others, were submitted to JLL or made available for download in a web portal (data room) and used for the present valuation.

- Overview of master data as of the reporting date 30 September 2020
- Overview of ground rents / expenditure subsidies
- Overview of rent cap rent / rent reduction calculation for properties in Berlin
- Adjustment of quantity structure (31 December 2020)
- Overview CapEx activations 2020
- Partial land register information
- Partial cadastral information/ site plans
- Partial leasehold contracts
- Partial building encumbrance / contaminated site information
- Detailed list of subsidy status of subsidized properties
- Information on the protection of historical monuments

JLL assumed that the information Deutsche Wohnen SE has provided in respect to the subject portfolio and its valuation date is correct and comprehensive and that the accuracy of all such documents has been confirmed by Deutsche Wohnen SE.

We have not been provided with further information. Should we receive additional or updated information, we receive the right to adjust the valuation accordingly.

Where property specific information was required for the valuation process but could not be provided, JLL made assumptions based on research results, on our own data collection as well as on our experience with comparable properties (see also chapter 5). These assumptions were considered in the subject valuation.

1.11 Plausibility Check

The database of property information provided to us by Deutsche Wohnen SE was checked to identify obvious errors and logical inconsistencies in order to avoid using incorrect or incomplete data in the valuation. This involves a review of the accuracy and completeness of the database, in particular addresses, the number of economic units, building parts and administrative units, property types and average space per property type and similar. Deutsche Wohnen SE was notified of any inconsistencies identified and these were subsequently removed.

Further verification of the data supplied to us was performed after the property inspections. In the case of missing or implausible information, JLL implements a Q&A process with Deutsche Wohnen SE.

1.12 Date of Valuation

The date of valuation is 31 December 2020.

Deutsche Wohnen SE confirmed to JLL that no material changes to the physical attributes of the properties, or the nature of their location, that might have occurred between the valuation dates and the publication of this valuation report have occurred.

1.13 Site Inspections

The interior or exterior inspections took place on cluster level according to Deutsche Wohnen SE. The clusters formed by Deutsche Wohnen SE are based on property-specific characteristics such as location, property type and year of construction. Inspections of each cluster (approximately 83% of the lettable area or 82% of the Market Value) took place between 4 June 2018 and 20 November 2020.
The following table shows the current status of the inspections already carried out:

Year of Inspection	Total Area	External Inspection		Internal Inspection		Total Area inspected	
	m²	m²	Share	m²	Share	**m²**	**Share**
2018	3,509,967	32,947	0.9%	3,477,020	99.1%	**3,509,967**	**36.0%**
2019	2,396,203	389,145	16.2%	2,007,058	83.8%	**2,396,203**	**24.6%**
2020	2,235,319	339,992	15.2%	1,895,326	84.8%	**2,235,319**	**22.9%**
not inspected yet	1,613,794	0	0.0%	0	0.0%	**0**	**0.0%**
Total	**9,755,284**	**762,085**	**7.8%**	**7,379,404**	**75.6%**	**8,141,490**	**83.5%**

Source: JLL

An inspection of the property comprises an adequate sample of internal units and/or any specific components of the building. The external inspection comprises an adequate assessment of the exterior and the micro location.

Deutsche Wohnen SE confirmed that it is not aware of any material changes to the physical attributes of the properties, or the nature of their location, that might have occurred since the last inspection.

1.14 Taxation and Costs

We have not made any adjustments to reflect any taxation liability that may arise on disposal (e.g. valuation gains) nor for any costs associated with disposals incurred by the owner. No allowance has been made to reflect any liability to repay any government or other grants, or taxation allowance that may arise upon disposals.

1.15 Value Added Tax

The Market Values and market rents listed in this valuation report do not include the relevant value added tax at the prevailing rate.

1.16 Currency

The currency referred to in the valuation report is Euros (€).

1.17 Rounding

Due to the calculation basis, marginal differences can occur in the rounding of the numbers (€, %, etc.).

1.18 Legal Terms

German law applies. The place of performance and jurisdiction is Frankfurt/Main.

1.19 Note on Covid-19 Pandemic

Given the unknown future impact that COVID-19 might have on the real estate market, with many business practices and behaviours needing to change either temporarily or permanently, we recommend that you keep the valuation[s] contained within this report under frequent review.

2. Valuation Method

JLL applied the Discounted Cash Flow valuation method to derive the individual Market Value as of 31 December 2020.

2.1 Discounted Cash Flow (DCF) method

The calculation of the Market Value for already existing and income generating properties has been based on the internationally accepted Discounted Cash Flow (DCF) method.

The method is based on transparent, dynamic and explicit valuation parameters to determine the Market Value. Initially all future cash flows (both revenues and costs) are explicitly determined for a ten-year detailed planning period. At the end of this period, a terminal value is calculated, by effectively capitalising all future projected net cash flows generated by the property. The assumptions made for the model reflect comparable analysis and decisions that would have been made by investors active in the market as at the effective date of valuation.

The cash flows for the relevant year of the detailed planning period are calculated as follows:

The rental development is in accordance with the regulations of the lease contracts (e.g. steps, indexations). After deduction of the non-transferable costs (maintenance costs, management costs, other costs, ground rents and non-recoverable operating costs), the net cash flow is determined before taxes and debt service. The respective cash flows of the individual periods are then discounted to the date of valuation by the pre-determined discount rate.

The calculation of the terminal value after Year 10 is carried out as follows:

In general, a stabilised cash flow (stabilised rental income less stabilised expenses) can normally be achieved by the end of Year 10. As no period-overlapping changes are expected in the cash flow after this point, the net operating income at Year 10 serves as the basis for the forecasted future cash flows.

By means of the property-specific capitalisation rate, the net operating income (NOI) is capitalised into perpetuity. The capitalised terminal value, like the cash flows of the detailed planning period, is likewise discounted to the date of valuation.

In accordance with common market practice, the result of the valuation is initially the Gross Capital Values and include auxiliary purchaser's costs as a percentage of the Market Value. These costs include the legal fees for sale, the tax (valuations are based on the assumptions of an asset deal for the site), land register fees and the broker's commission, if applicable. In order to derive the Market Value (Net Capital Value) the purchaser's costs have to be deducted from the Gross Capital Value.

The result of the DCF method mirrors the economic view that would be taken by the majority of active market participants as at the effective date of valuation and reflects the Market Value.

3. Portfolio Overview Residential Portfolio

The residential portfolio consists of 155,255 residential units with a lettable area of 9,341,371 m² and 2,818 commercial units with a lettable area of 359,876 m². Furthermore, the portfolio includes 13,904 underground garages, 17,307 outdoor parking spaces and 7,626 "other rental units" (e.g. antenna contracts, tenant gardens).

3.1 Portfolio Structure

According to provided information by Deutsche Wohnen SE the portfolio is clustered into the following three categories: ‘core+’, ‘core’ and ‘non-core’. This is based on macro-economic, socio-demographic and real estate specific data to evaluate the respective markets in terms of attractiveness and future prospects from the perspective of Deutsche Wohnen SE. ‘core+’-locations are defined as very dynamic and growing, ‘core’-locations show a stable growth and ‘non-core’-locations are defined as having rather low growth.

The following table shows the breakdown of the residential units within the residential portfolio based on these three categories:

Residential	Units	Area	Vacancy		Current Annual Rental Income		Market Rent
Strategic Cluster		m²	% of units	% of area	Total in €	€/m² per month	€/m² per month
Core+	144,658	8,666,514	2.0%	2.0%	717,347,135	7.04	8.48
Core	10,379	661,135	2.6%	2.8%	47,630,011	6.18	7.01
Non-Core	218	13,722	2.8%	2.3%	953,991	5.93	6.71
Total	**155,255**	**9,341,371**	**2.0%**	**2.0%**	**765,931,136**	**6.97**	**8.37**

Source: JLL

3.2 Breakdown per Metropolitan Region

Deutsche Wohnen SE divides the portfolio into different metropolitan regions. The following table shows the breakdown of the residential units within the residential portfolio by their metropolitan region:

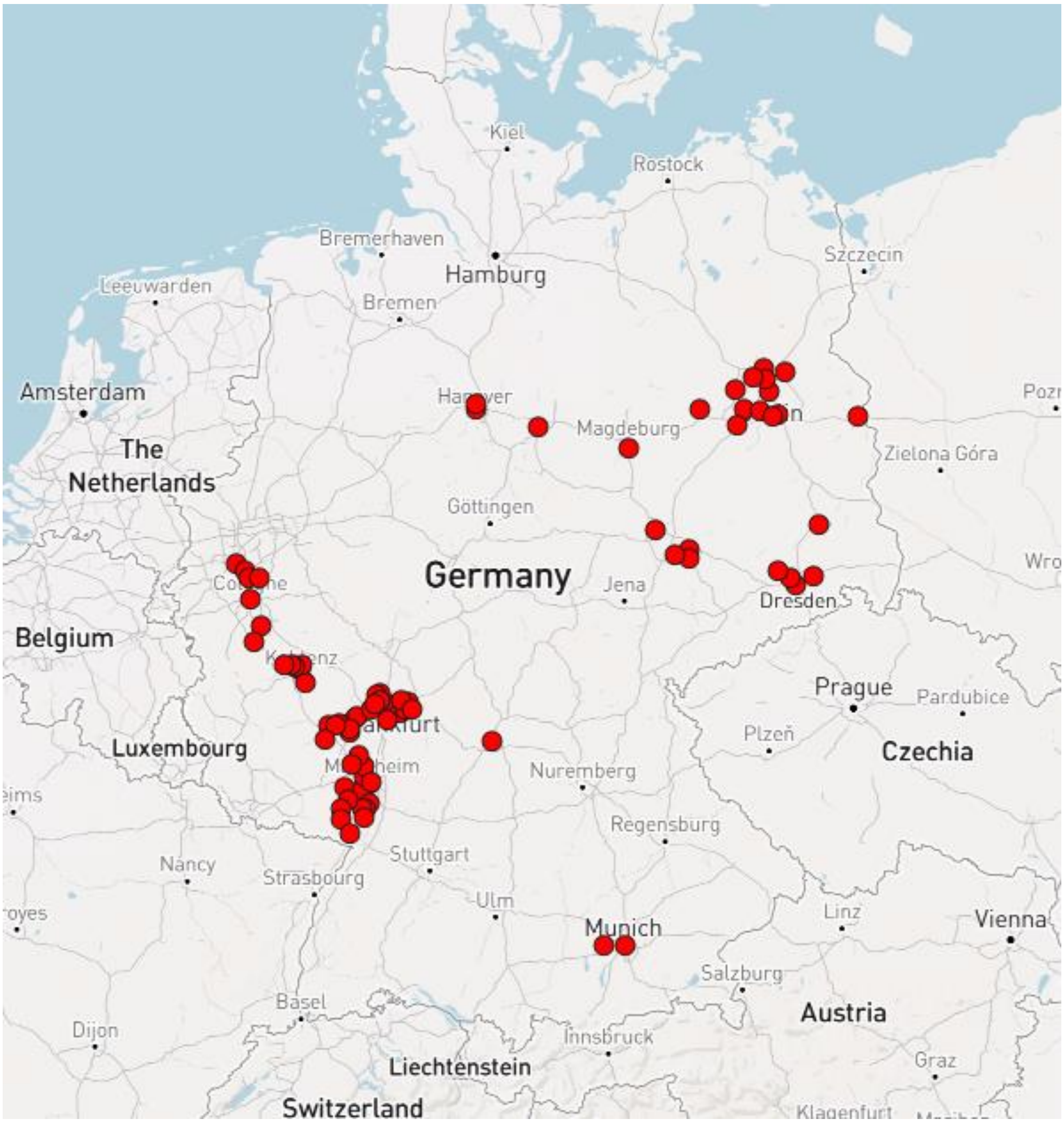
Residential	Units	Area	Vacancy		Current Annual Rental Income		Market Rent
Metropolitan Region		m²	% of units	% of area	Total in €	€/m² per month	€/m² per month
Greater Berlin	114,031	6,770,512	1.5%	1.4%	552,822,678	6.90	8.41
Dresden/Leipzig	10,588	690,529	5.1%	5.3%	49,623,189	6.32	7.37
Core (other)	10,597	674,857	2.6%	2.8%	48,584,002	6.17	7.00
Frankfurt	9,607	577,166	3.1%	2.6%	59,714,924	8.85	10.27
Hanover/Brunswick	5,915	366,966	2.4%	2.6%	27,625,613	6.44	7.45
Cologne/Düsseldorf	2,893	165,856	5.9%	5.0%	17,365,029	9.19	10.69
Other Core+	1,624	95,485	2.5%	2.6%	10,195,703	9.13	10.80
Total	**155,255**	**9,341,371**	**2.0%**	**2.0%**	**765,931,136**	**6.97**	**8.37**

Source: JLL

3.3 Regional Overview

The properties in the residential portfolio are distributed over the following locations:

Overview map



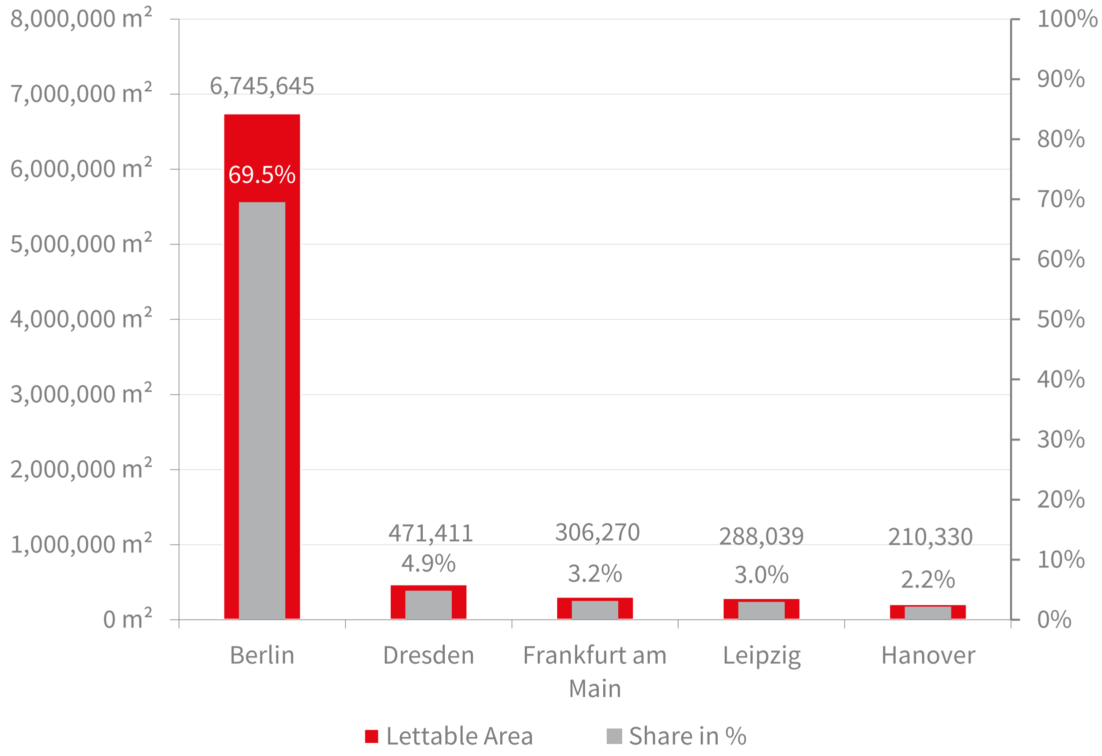
Source: JLL

The markings correspond to one exemplary valuation unit per city.

3.4 Regional Distribution

The properties in the residential portfolio are mainly located in the federal state of Berlin. With around 69.5% (6,745,645 m²) of the lettable area, Berlin is the dominant location within the portfolio, followed by Dresden with a share of 4.9% (471,411 m²), Frankfurt am Main with 3.2% (306,270 m²), Leipzig with 3.0% (288,039 m²) and Hanover with 2.2% (210,330 m²). The rest of the portfolio is spread across further 74 locations in the German states of Saxony, Hesse, Rhineland-Palatinate, Lower Saxony, Saxony-Anhalt, Brandenburg, North Rhine-Westphalia, Bavaria and Baden-Wuerttemberg, accounting with a total of 17.3% (1,679,551 m²) of the lettable area.

Distribution of lettable area by major locations (top 5)

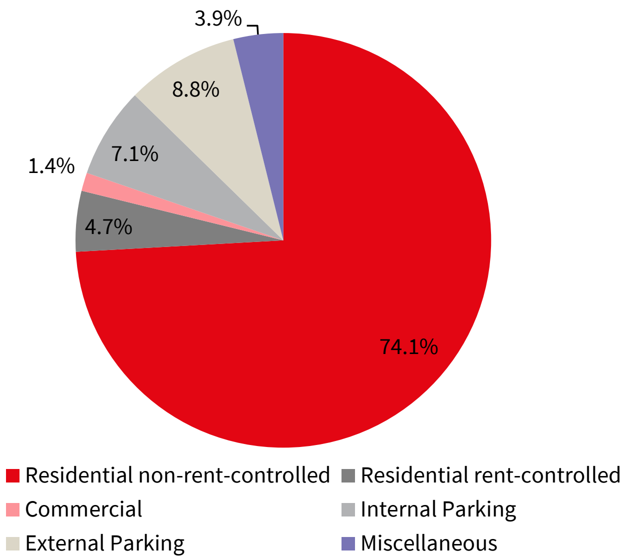


Source: JLL

3.5 Number of lettable units

The portfolio, which is predominantly used for residential purposes, consists of 145,949 non-rent-controlled residential units and 9,306 rent-controlled residential units, as well as 2,818 commercial units and 7,626 "other rental units" (including, for example, antenna contracts). The portfolio also includes 13,904 garage parking spaces and 17,307 outdoor parking spaces. The "Garages" usage type includes above-ground garages and underground parking spaces.

Distribution of lettable units

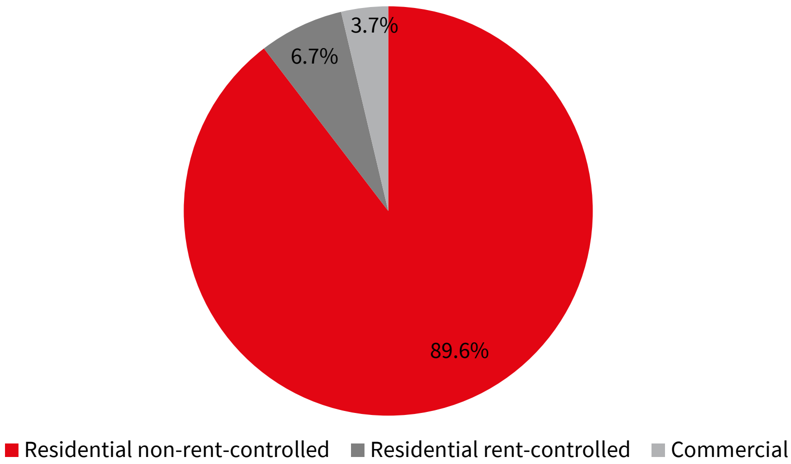


Source: JLL

3.6 Lettable Area

The total lettable area is 9,701,247 m² and is divided into 8,692,337 m² (89.6%) of non-rent-controlled residential units and 649,034 m² (6.7%) of rent-controlled residential units and 359,876 m² (3.7%) of commercial space.

Division of the lettable area according to the type of use

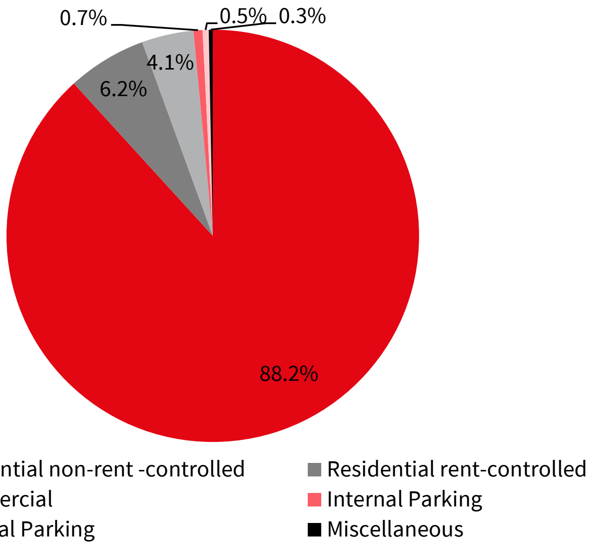


Source: JLL

3.7 Net Rental Income

The annual net rental income as of the valuation date amounts to a total of € 811,027,591. This corresponds to a net rent of € 7.13/m²/month. The residential rents of the non-rent-controlled residential units amount to € 715,619,650 p.a. (€ 7.00/m²/month), while the residential rents of rent-controlled units amount to € 50,311,486 p.a. (€ 6.61/m²/month). Commercial units amount to € 32,922,991 p.a. (€ 8.45/m²/month), while garage parking spaces amount to € 5,769,359 p.a. (€ 45.67/unit/month), outdoor parking spaces € 3,857,653 p.a. (€ 24.39/unit/month) and other units income of € 2,546,451 p.a. (€ 34.10/unit/month).

Net Rental Income according to the type of use



Source: JLL

3.8 Vacancy

According to the property information received, 3,162 residential units (of which 228 are rent-controlled) with a lettable area of 188,584 m² (14,639 m² rent-controlled area) and 214 commercial units with a lettable area of 35,272 m² were vacant as of the valuation date. In addition, there were 7,502 vacant parking spaces (3,376 garage parking spaces, 4,126 outdoor parking spaces). In relation to the total leasable area, this results in a vacancy rate of 2.3% for the total portfolio.

Vacancy rate according to the type of use

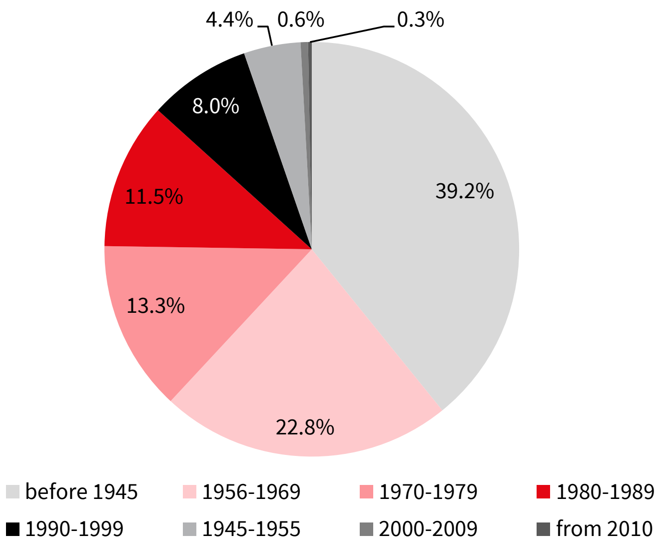
Type of Use	Vacant Units	Vacancy (Units)	Vacant Area	Vacancy (Area)
Residential non-rent-controlled	2,934	2.0%	173,945	2.0%
Residential rent-controlled	228	2.5%	14,639	2.3%
Commercial	214	7.6%	35,272	9.8%
Internal Parking	3,376	24.3%		
External Parking	4,126	23.8%		
Miscellaneous	1,403	18.4%		
Total	**12,281**	**6.2%**	**223,856**	**2.3%**

Source: JLL

3.9 Building age categories

The portfolio is dominated by buildings in the pre-1945 and 1956-1969 construction age classes, which account for 39.2% respectively 22.8% of the lettable area in the portfolio. The least represented building age class in the portfolio is 0.3% (27,986 m²) of properties in the building age class from 2010.

Distribution of lettable area by building age



Source: JLL

3.10 Rent-controlled Properties

A total of 9,306 of the 155,255 residential units are subject to rent control. Some of the commitment periods run until 2099 (assumed for valuation units without indication of an end of contract). The subsequent periods have been taken into account in this valuation.

The following table shows the share of rent-controlled residential units and their expiry years:

Expiry of Restriction in Years	Residential Units	
	Total	in % of Total Residential Units
<= 10 years	5,670	3.7%
11-25 years	77	0.0%
26-40 years	585	0.4%
41-55 years	38	0.0%
56-70 years	0	0.0%
> 70 years	2,936	1.9%
Rent-controlled Units	**9,306**	**6.0%**
Non-rent-controlled Units	145,949	94.0%
Total	**155,255**	**100.0%**

Source: JLL

3.11 Ground Lease

In total, a ground lease exists for 62 of the 2,282 valuation units. The stated ground rent amounts to € 1,550,285 per year as of the valuation date. The remaining term of the ground lease contracts varies between 5 and 185 years. The amount of the compensation varies between 66.7% and 100.0% of the Market Value of the building assets.

The Market Value of the valuation units encumbered with a ground lease amounts to € 376,268,000. This corresponds to a share of approximately 1.5% of the residential portfolio.

3.12 Monument Protection

A total of 492 of the 2,282 valuation units are listed buildings. The Market Value of the units with listed status amounts to € 6,229,483,000. This corresponds to a share of 24.1% of the residential portfolio.

4. Portfolio Overview Commercial Portfolio

4.1 Regional Overview

The properties in the commercial portfolio are distributed over the following locations:

Overview map

Source: JLL

4.2 Overview

The following table shows an overview of the commercial portfolio (per asset):

Property	Main Type of Use	Lettable Area (m²)	Vacancy % of area	Current Rental Income p.a. (in €)	Market Rental Income p.a. (in €)	WALT (in years)
Albert-Einstein-Ring 4-6, 14532 Kleinmachnow	Office	19,297	0.0%	3,159,879	3,553,758	4.0
Tempelhofer Weg 62-64, 12347 Berlin	Office	13,513	1.3%	1,539,779	2,306,569	3.3
Dorfstraße 17-19, 30519 Hannover	Office	8,652	0.0%	834,890	879,457	16.8
Niedersachsenring 13, 30163 Hannover	Office	12,575	0.0%	1,589,893	1,713,051	1.5
Total		**54,037**	**0.3%**	**7,124,441**	**8,452,835**	**4.8**

Source: JLL

5. Assumptions

5.1 General valuation assumptions

5.1.1 Assumptions and Sources of Information

An assumption is defined in the Glossary to the Red Book to be a 'supposition taken to be true' ('assumption'). Assumptions are:

'Facts, conditions or situations affecting the subject of, or approach to, a valuation that, by agreement, needs not be verified by a valuer as part of the valuation process.'

In undertaking our valuation, we have made several assumptions and have relied on certain sources of information. Where appropriate, we have let Deutsche Wohnen SE confirm that our assumptions are correct to the best of their knowledge.

If any of these assumptions prove to be incorrect, then our valuation would require to be reviewed.

The valuation was carried out based on the assumption that the information provided by Deutsche Wohnen SE regarding the areas, rents and costs are correct, complete and not misleading and that the definition of the areas corresponds to local market practice of the respective properties. While we have considered legal and other types of documentation, we cannot be held liable for its legal interpretation. Validity issues concerning written requirements and clauses as well as legal disputes between the lessor and lessee have not been examined and are explicitly excluded from this valuation.

No special assumptions (as defined by RICS) have been made. According to RICS a special assumption is an assumption that either assumes facts that differ from the actual facts existing at the valuation date or that would not be made by a typical market participant in a transaction on the valuation date.

For the valuation JLL has not been provided with a technical nor legal due diligence report.

5.1.2 Title / Legal Restrictions / Building and Other Encumbrances

The available information regarding title, legal restrictions, building and other encumbrances has been mainly made available to JLL by Deutsche Wohnen SE. No discrepancies or points of concern were identified. Title entries registered in Section II of the land registers extracts have been reflected in our valuation accordingly.

We have made the assumption that copies of all relevant documents for the properties have been made available to us and that they are complete, correct and up to date - and that such documents have been verified by Deutsche Wohnen SE.

Moreover, based on the above assumption, we have not identified any points of concern and have made the assumption that the properties have good and marketable freehold or leasehold titles in each case.

As is normal valuation practise, we have also assumed that the properties are free from mortgages, charges or other financially relevant encumbrances. Furthermore, no account has been taken in our valuation of any goodwill that may arise from the present occupation of the properties.

5.1.3 Contamination and Soil Conditions

We have not undertaken nor been instructed to conduct a formal environmental assessment; therefore, we have not carried out any investigation into past uses, either of the properties or any adjacent land to establish whether there is any potential for contamination from such uses or sites.

Not informed to the contrary, we have assumed that there are no abnormal ground conditions or contamination, which are sufficient to affect value or adversely affect the present or future occupation or development of the properties. Should suspicion regarding contamination arise in the future, environmental assessment reports need to be acquired and in the case where contamination is detected, the valuation would have to be appropriately adjusted.

We have also made the assumption that there are no archaeological remains present, which might adversely affect the present or future occupation, development or value of any of the properties.

5.1.4 Condition and Structural Inspections, Materials

We have not undertaken nor been instructed to conduct a formal condition or structural survey; however, where building deficiencies were identified during the internal or external inspections, they were subsequently reflected in the valuation.

The results of the inspections are based exclusively on visual examinations, with no guarantee as to the completeness of the information presented. Unless otherwise informed by Deutsche Wohnen SE, we have made the assumption that the properties are free from any mildew, infestation, adverse toxic chemical treatments and structural or design defects.

We have not investigated whether high-alumina cement, calcium-chloride additive or any other deleterious materials have been used in the construction or in any alterations of any of the properties. For the purposes of this valuation, unless otherwise informed by Deutsche Wohnen SE, we have made the assumption that any such investigation would not reveal the presence of such materials.

No mining, geological or other investigations have been undertaken to certify that the foundations of the properties are free from any defects. Unless otherwise informed by Deutsche Wohnen SE, we have made the assumption that the load-bearing qualities of the sites of the properties are sufficient to support the buildings constructed thereon.

5.1.5 Building Law

We have made the assumption that the buildings have been constructed in full compliance with valid local planning and building regulations, that all necessary certifications have been obtained and that there are no outstanding statutory notices as to their construction, use or occupation. Furthermore, we have made the assumption that the existing uses of the properties are duly authorised or established, and that no adverse planning conditions or restrictions apply.

5.1.6 Town and Traffic Planning

We have made the assumption that the existing or planned uses of the properties are duly authorised or established, and that no adverse planning conditions or restrictions apply.

5.1.7 Protection of Historic Structures

JLL was partially provided with information by Deutsche Wohnen SE, if buildings of the portfolio are listed buildings. We have considered these cases in our valuation.

5.1.8 Technical Equipment, Plant & Machinery

During our inspections, no tests have been carried out pertaining to the electrical, electronic, heating, plant and machinery equipment or any other services, nor have the drains been tested. Unless otherwise informed by Deutsche Wohnen SE, we have made the assumption that all services to the properties are in good functioning condition.

No allowance has been made in this valuation for any items of plant or machinery that do not form part of the service installations of the properties. We have specifically excluded all items of plant, machinery and equipment installed wholly or primarily in connection with the businesses of the occupants.

The technical equipment of the properties such as passenger and goods lifts and other means of transportation, heating systems and further technical installations have been considered as integral components of the properties.

5.1.9 Areas

The valuation is based on the information provided by Deutsche Wohnen SE.

We have not measured the properties but have applied floor areas and, in particular cases, considered floor plans provided by Deutsche Wohnen SE. Please note that we have not been provided with floor plans for all subject properties. We have assumed that these areas have been measured and calculated in accordance with the current market practice where the properties are located.

5.1.10 Leases and Tenancy Information

Information regarding rental units, contractual rents, lease terms, rental terms and where applicable, publicly subsidised units was made available to JLL by Deutsche Wohnen SE. A random sampling of the information was verified based on documents provided by Deutsche Wohnen SE. No abnormalities were detected.

We have not reviewed all legal documents and have assumed that all relevant documents for the properties are complete, correct and up to date and that such documents have been accurately verified by Deutsche Wohnen SE.

For the purpose of the valuation, we have not undertaken investigations into the financial strength of the tenants. Unless we have become aware by general knowledge or we have been specifically advised to the contrary, we have made the assumption that the tenants are financially in a position to meet their current obligations. Unless otherwise advised, we have also made the assumption that there are no material arrears of rent or service charges, breaches of covenants or current or anticipated tenant disputes.

5.1.11 Taxes, Fees and Charges

No information has been made available to JLL regarding taxes, fees and charges. We have made the assumption that all public taxes, fees, charges, etc. which could have an influence on the value, have been levied and if applicable, had been paid at the time of this valuation.

5.1.12 Insurance Policies

At the date of the valuation, JLL was not aware of whether or to what extend insurance policies existed to limit the risks resulting from business activities (e.g. property insurance, liability insurance and construction insurance). As neither supporting nor contrary information was made available by Deutsche Wohnen SE or known by JLL, we have made the assumption that potential claims are covered with regard to the insurance level and type by valid insurance policies.

5.1.13 Information

We have based our valuation assumptions on reliable sources of information provided by Deutsche Wohnen SE. Should our assumptions prove to be incorrect, the property values could be influenced and the valuation would have to be adjusted accordingly by JLL.

5.2 Income assumptions

5.2.1 Market Rental Income

In order to obtain information on market rents, JLL has accessed to the empirica-systems market database. The database considers all the rental offers, defined according to radius the size class of the flat. The existing market rents were adjusted by outliers and divided into six percentiles (5%-, 20%-, 40%-, 60%-, 80% and 95%-percentile) to reflect a further differentiation according to quality. Depending on the average flat size and the specific ratings of the location and property JLL assumed the market rents for each individual valuation property in a three-step model.

In the first step, an area with a spatial radius of 500 m has been investigated, according to which an average market rent per m² has been assigned for each valuation property, depending on the flat size and individual rating. In the case that less than five rental offers exist within this radius, an average market rent per m² has been assigned for each valuation property with a spatial radius of 1,000 m in a second step. In the case that less than five offers exist within this radius, the property-specific market rent was applied in accordance with the market rental level that was applied in the city or administrative district.

The preliminary market rent per m² was defined in consideration of the current vacancy rate and rental income (relation of net rental income to market rental income), which was examined within the scope of the separate valuation with regard to the quality of the micro location and property condition and if applicable, adjusted in accordance with expert opinion.

In the valuation, JLL also carried out a plausibility check on the rents of non-residential units (commercial, parking and other). This is done with the help of internal databases, real estate portals (asking rents) and discussions with local experts.

5.2.2 Law on the limitation of rents in the Berlin housing sector (MietenWoG Bln)

For valuations in Berlin, the "rent cap" is applied as follows:

- Approach to existing rent in accordance with rent cap regulations for cash flow years 1-5
    - Information on permissible rent caps taken over for the valuation in accordance with the information available from Deutsche Wohnen SE

- Market rent approach for new leases in accordance with the rent cap regulations for cash flow years 1-5:
    - Information on permissible rents for new leases as per available information from Deutsche Wohnen SE adopted for the valuation

- Approach of market rent ("shadow rent") from year 6 (after expiry of the rent cap)
    - Approach of the non-indexed "shadow rent" for year 6 (in accordance with chapter 5.2.1 " Market Rental Income")

After expiration of the rent cap, the existing rents are increased in accordance with the German Civil Code (BGB), the rent control and the cap limit ("Kappungsgrenze"). Market rents are indexed as of year 7 (see also chapter 5.2.5 "Rent Indexation Market rents").

5.2.3 Net/ Market/ Gross Rental Income

An overview of the current Net Rental Income p.a. compared to both the Market Rental Value and the annual Gross Rental Income is outlined below:

Rental Income total

Type of Use	Net Rental Income p.a.		Market Rental Income p.a.		Gross Rental Income p.a.	
	(in €)	(in €/m², €/unit)	(in €)	(in €/m², €/unit)	(in €)	(in €/m², €/unit)
Residential non-rent-controlled	715,619,650	7.00	887,360,717	8.51	733,614,536	7.03
Residential rent-controlled	50,311,486	6.61	51,392,207	6.60	51,392,207	6.60
Commercial	32,922,991	8.45	36,449,820	8.44	36,397,621	8.43
Internal Parking	5,769,359	45.67	7,318,986	43.87	7,318,506	43.86
External Parking	3,857,653	24.39	4,859,839	23.40	4,859,599	23.40
Miscellaneous	2,546,451	34.10	3,052,742	33.36	3,052,742	33.36
Total	**811,027,591**	**7.13**	**990,434,311**	**8.51**	**836,635,212**	**7.19**

Source: JLL

5.2.4 Rent Adjustment in existing lease contracts

For the valuation of properties with non-rent-controlled units, JLL has considered an annual rent adjustment of no more than 6.67% (20% in three years). In housing markets with high demand, an annual rental increase of 4.77% was considered (15% in three years). Furthermore, it was assumed that the rent increase for each valued property will not exceed the linked market rent.

Law on the limitation of rents in the Berlin housing sector (MietenWoG Bln)

According to the law on the limitation of rents in the Berlin housing sector (MietenWoG Bln), rent increases are possible in Berlin from January 1, 2022 by the percentage of inflation that has occurred since the reference date and was determined by the Federal Statistical Office as of December 31 of the previous year, but by no more than 1.3%. This does not apply if the rent ceilings are exceeded as a result.

Furthermore, rent increases of € 1.00/m² are possible due to modernization.

Following the expiry of the MietenWoG Bln after 5 years, the valuation assumes that the rental market in Berlin will return to the previously applicable rental regulations of the BGB.

5.2.5 Rent Indexation Market rents

Rents of non-rent-controlled units

The rental growth forecast for the valuation was established separately for the existing segments (‘Residential’, ‘Commercial’ and ‘Parking’) by carrying out a detailed analysis of the current rents, the local market and the property’s position in this market.

For the rental income of non-rent-controlled residential units as well as commercial units a growth rate between 0.0% and 2.6% p.a. beginning in the second year was assumed, depending on the location and property rating. The weighted average rental growth rate for the residential units is 2.1% p.a.

For the rental income of parking units as well as miscellaneous units the growth rate between 0.0% and 2.5% p.a. beginning in the second year was assumed.

Rent of rent-controlled units

The increase of cost rents (until 31.12.2001) or the increase of the rent for subsidised residential units (effective from 01.01.2002) is commonly more moderate than the development of non-rent restricted leases. This is caused by the need of a certificate from the landlord showing the increase of costs. Additionally, rents for subsidised units (effective from 01.01.2002) are limited to the maximum permitted rent outlined in the subsidy regulation (‘Förderzusage’). For rent-controlled residential units an indexation of 0,5% p.a. was assumed (starting in year 2).

If the rent control expires within the period under review, the cost rent generated is compared with the indexed market rents. If the market rent is at or below the level of the cost rent, the market rent is used. If the market rent is higher than the rent-controlled rent, the rent is increased by a maximum of 15% to 20% every three years, starting the first year after the start of the agreement until the market rent is achieved.

Law on the limitation of rents in the Berlin housing sector (MietenWoG Bln)

After the expiration of the rent cap, market rents for non-rent-controlled residential units are indexed according to the derivation presented above.

5.3 Costs assumptions

5.3.1 Maintenance Costs

On-going Maintenance Costs

On-going maintenance costs are non-transferable costs that are incurred during the expected useful life of a property for the preservation of the defined use of the buildings and structures (with the exception of commercial tenants), in order to remove damage caused by wear & tear, age, weather and environmental influences and/or to comply with legal requirements, to maintain the quality and yield capacity of the property.

Ongoing annual maintenance costs of €/m² based on the total lettable area were applied.

In the valuation, the ongoing maintenance costs were calculated with respect to the age and condition of the respective property.

For residential units the maintenance costs were calculated between € 6.00 /m² and € 13.50 /m² p.a. The maintenance costs for commercial units were applied between € 6.00 /m² and € 8.75 /m ² p.a. Because the buildings in the valuation that are protected monuments require an increased level of maintenance, JLL applied a surplus of € 1.50/m² of the regular maintenance costs for these residential and commercial units. In order to reflect the increased demand for maintenance of properties that are equipped with a lift, JLL assumed a surplus of € 1.25/m² of the regular maintenance costs for these residential and commercial units.
For garages maintenance costs between € 60.00 and € 76.00 per unit p.a. and for external parking spaces between € 30.00 and € 39.50 per unit p.a. were utilized. For all other units € 10.00 per unit and p.a. were applied for maintenance.

Maintenance costs for the first year will amount to € 99,962,818. In relation to the living/usable area of the portfolio the costs amount to € 10.30/m².

Maintenance Costs associated with Tenant Turnover

Costs for the refurbishment of units associated with tenant turnover are incurred in order to successfully re-let a vacant flat. These costs include decorative repairs as well as renovation costs, marketing costs and non-recoverable operating costs.

From experience an annual tenant turnover of 0.0% to 17.5% of the lettable residential area was assumed for non-rent-controlled residential units (rent-controlled residential units with a range of 4.0% to 12.5%).

Maintenance Costs associated with tenant turnover amount to € 28,428,333 in year one.

For the properties within the portfolio, JLL has considered € 30.00 to € 83.00/m² for each residential unit that becomes vacant as a result of tenant turnover. The weighted average is € 43.82/m².

5.3.2 Management Costs

Management costs incurred in the management of residential leases, encompassing all necessary labour and equipment as well as for the legal and optional audit of annual financial statements (with exception of commercial tenants) are normally non-transferable.

Management costs for residential buildings are dependent on location, condition and tenancy. JLL has considered management costs in the valuation depending on location and property type in the range of € 255 and € 330 per residential unit p.a. For condominiums, an increased cost approach of € 50.00 per unit p.a. was chosen. For commercial and miscellaneous units, the management costs per unit were applied at 1.7% to 3.5% p.a. of the gross rental income, for parking spaces (internal/external) € 31.30 to € 37.50 per unit p.a.

5.3.3 Operating Costs (Non-Transferable)

The German Regulations on Operating Costs (Betriebskostenverordnung - BetrKV) define transferable operating costs for residential properties.

For vacant rental space, certain types of costs, such as minimum heating costs, caretaker or security costs, as well as electricity and cleaning costs, which are generally transferable, cannot be transferred. Therefore, JLL has applied non-transferable operating costs between € 17.76/m² and € 18.90/m² p.a. for each vacant square metre of residential area.

Vacancy occurs within the detailed planning period as a result of tenant fluctuation. For these vacant areas, the scheduled non-transferable costs were not taken into consideration, as these costs are already considered in the maintenance costs associated with tenant turnover.

5.3.4 Other Costs

'Other costs' refer to and reflect the risk of a reduction in income as a result of uncollectable arrears of rent. They also serve to cover the costs of legal action to collect payments, cancel a rental contract or clear premises. Arrears of rent, due deposit payments and due property management costs must also be taken into account under this heading. The amount of such costs depends on the local market situation, type and condition of the property, tenancy situation, quality of tenants and quality of lease agreements. These costs are calculated as percentage of the current rental income. A percentage between 0.3% and 1.4% of the current rental income was used in the valuation. The weighted average is 0.9% of the current rental income per annum.

5.3.5 Cost Indexation

All costs, calculated on a per square metre or per unit basis, have been indexed with the rate of inflation according to the German Statistical Office. The Federal Statistical Office switched to the base year (2015 = 100) at the beginning of 2019. The present valuation is therefore indexed with the average inflation rate (calculated between 2015 and the year of the present valuation).

For the maintenance of apartment buildings and garages/parking spaces, this amounts to 2.9% p.a., for the maintenance of commercial and miscellaneous units to 2.9% p.a. and for non-recoverable operating and management costs to 1.3% p.a.

5.3.6 Rent Loss (Vacancy)

Rental loss reflects the share of the gross rental income that could have potentially been generated, if vacant units within any property had been rented out.

JLL has calculated with a stabilised vacancy for each property, depending on the local market situation, property condition, level of rent adjustment (net rent to market rent) and current vacancy rate.

The weighted average for non-rent-controlled residential units is 1.2%, for rent-controlled residential units 2.4% and for the commercial units 5.0% of the target rent per annum. For garage parking spaces the weighted average is 14.2%, for external parking spaces 15.0% and for other units 16.4% of the target rent per annum.

5.3.7 Auxiliary Purchase Costs

The valuation considers auxiliary purchase costs as a percentage of the Market Value. These costs include the legal fees for sale, the tax and land register fees and the broker's commission, if applicable.

In the past, the German government set the tax on acquisition of real estates at 3.5% of the net sale proceeds. Since September 2006, the federal states are able to set the tax rate independently. As a result, varying tax rates arise for the different federal states. To date tax on acquisition varies between 3.5% and 6.5%.

The Broker's Commission and Notary Fee were determined based on the respective Gross Capital Value (between 0.5% and 3.5%).

For the entire portfolio tax on acquisition between 4.5% and 10.0% were considered.

The following assumptions regarding purchaser's costs were considered for the purchase of the portfolio in the valuation.

Auxiliary Purchase Costs

Auxiliary Purchase Costs	Share
Broker's Commission & Notary Fee	0.5% - 3.5%
Tax / Land Register	3.5% - 6.5%
Total	**4.5% - 10.0%**

Source: JLL

5.4 Discount Rate and Capitalisation Rate

Discount Rate

The Discount Rate reflects the opportunity and risk aspects of the market yield demanded by investors, and consists of an interest rate for a risk-free investment as well as a premium to account for specific investment risks associated with real estate investments.

The risk-free interest rate reflects the rate that can be achieved in the investment market for a risk-free investment. JLL uses the risk-free interest rate of -0.4% p.a. referring to the average interest rate of the past 12 months of a 10-year bond, issued by the German Federal Bank. A property-specific, weighted risk premium, which is based on a rating (market, location and property) is applied to the risk-free interest rate in order to derive a risk-adjusted discount rate, which reflects the opportunities and risks of the properties in the market.

In addition, individual property surcharges or discounts are applied for leasehold properties, skyscrapers, publicly-subsidized properties, single-family homes as well as properties subject to condominium law (WEG).

The weighted discount rate for the subject portfolio stands at 3.4%, which, based on our experience, is comparable to similar transactions on the market.

Capitalisation Rate (Cap Rate)

The Capitalisation Rate (the ‘Cap Rate’) is used to capitalise the stabilised Net Operating Income at Year 10 into perpetuity, as it is assumed that properties are kept in stock after the detailed 10-year planning period.

The Cap Rate is based on each property’s individual discount rate. For the determination of the terminal value, which is based on the NOI at year 10, an individual growth rate (positive or negative) of future cash flows has been calculated. According to normal practice, the growth rate of a stabilised cash flow has then been deducted from the discount rate in order to determine the cap rate. The estimation of annual growth is reflected in the capitalization rate, with the help of the Gordon model. According to the model, the growth rate of the stabilized cash flows is to be charged to or deducted from the discount rate in order to arrive at the capitalization rate.

The weighted capitalisation rate for the subject portfolio stands at 2.8%, which, based on our experience, is comparable to similar transactions on the market.

6. Definitions

Net Rental Income (NRI)

The Net Rental Income is the income a property effectively generates, taking into account the existing / assumed vacancies.

Market Rental Value (MRV)

The market rent as defined in the Red Book is:

'The estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm´s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.'

The market rent is the rent for an unfurnished apartment in the privately financed housing market, without service costs such as heating, electricity and gas. The market rent is derived from a comparison with other properties of the same category (= ordering principle, where the rent price formation is based upon the interplay between supply and demand in the housing market). The estimated rental value states JLL's opinion of the rental income p.a. which could achieve by reference the data of new letting at the market or setting of a new rent of a property at the date of valuation. Market rents for rent-controlled properties are determined based on non-rent-controlled comparable properties.

The estimated market rent at full occupancy and taking into account of a natural tenant turnover reflect the estimation of JLL by reference to the new letting at the market or rent adjustment of rental income at the date of valuation.

In consideration of modernization / maintenance costs that exceed a standard measure in the ordinary course of business, the market rent was fixed on the basis of higher quality property standard.

As for valuation purposes costs for water supply as well as heating costs are not taken into account, the net rental income is to be understood as 'net cold rent' (current rent without recoverable costs). The difference between the net rental income and the gross rental income is the consideration of existing vacancies, while the difference between gross rental income and estimated market rent consists in the rental growth potential or in the rent reduction in the market rent.

Gross Rental Income (GRI)

The Gross Rental Income is the annual income generated by a property assuming full occupancy.

It is determined by assuming the letting of vacant spaces at market rents and adding this figure to the net rents generated by a property.

Net Cashflow

The remaining cash flow after deduction of all accruing costs is considered Net Cash Flow.

Gross Capital Value

The sum of the remaining cash flows for years 1 to 10 and the net proceeds from sale for year 10 discounted to the valuation date will produce the Gross Capital Value.

Net Capital Value

The gross capital value reduced by the auxiliary purchase costs will produce the Net Capital Value (Market Value/ Fair Value).

Gross Initial Yield

The Gross Initial Yield is defined as the percentage of the contracted rental income divided by the Net Capital Value:

$$\textbf{Gross Initial Yield} = \frac{\text{Contracted Rental Income}}{\text{Net Capital Value}}$$

Source: JLL

Net Initial Yield

Net Initial Yield is defined as the percentage of the Net Rental Income minus non-recoverable expenses (costs for management, ongoing maintenance, collection loss, vacancy, broker fees for re-letting, ground lease) divided by the Gross Capital Value:

$$\textbf{Net Initial Yield} = \frac{\text{Net Operating Income}}{\text{Gross Capital Value}}$$

Source: JLL

6.1 Valuation Results

JLL is of the opinion that the aggregate of the individual Market Values (Fair Values), based on the information provided by Deutsche Wohnen SE and subject to the assumptions and comments detailed in section 1.10 and 5, of the properties in the Deutsche Wohnen SE portfolio as at the effective date of valuation 31 December 2020 was as follows (rounded):

€ 25,992,206,000

(Twenty-Five Billion Nine Hundred Ninety-Two Million Two Hundred and Six Thousand Euros)

and is made up as follows:

Sub-Portfolio	Market Value (€)	Share
Residential Portfolio	25,843,006,000	99.4%
Commercial Portfolio	149,200,000	0.6%
Total	**25,992,206,000**	**100.0%**

Source: JLL

The land portfolio (undeveloped plots and plots with project developments) is not part of this valuation report. The nursing and assisted living sub-portfolio was not valued by JLL and is therefore not the subject of this valuation report.

The above figure represents the aggregate of the individual property market values and is understood as the value without regard to auxiliary purchase costs (legal costs, agent's fees and where applicable land transfer tax) normally incurred by the purchaser. No allowance has been made for any expenses of realisation or for taxation and it does not reflect any addition or reduction on the sale of the portfolio as a whole, which may arise in the event of a disposal. No asset of the subject portfolio has a negative Market Value nor Liquidation Value (for properties that generate no positive cash flow, nor are projected to generate a positive cash flow going forward).

The subject portfolio consists of existing and income generating properties. JLL applied the Discounted Cash Flow valuation method to derive the individual Market Value as of 31 December 2020. The following table shows the distribution of the Market Value between freehold and leasehold assets as of 31 December 2020.

Typ of Ownership	Market Value (€)	Share
Freehold	25,615,938,000	98.6%
Leasehold	376,268,000	1.4%
Total	**25,992,206,000**	**100.0%**

Source: JLL

The following table shows a breakdown of the Market Value per Deutsche Wohnen SE strategic cluster:

Strategic Cluster	Market Value (€)	Share	per m² (€)	Net-Multiplier
Core+	24,958,850,000	96.0%	2,756	32.5
Core	1,018,996,000	3.9%	1,490	20.3
Non-Core	14,360,000	0.1%	1,046	14.7
Total	**25,992,206,000**	**100.0%**	**2,664**	**31.8**

Source: JLL

The following table shows the summary results of the Deutsche Wohnen SE portfolio valuation:

Residential

Valuation Results

Gross Capital Value	Rounded	27,845,936,000
Purchasers Costs		7.8%
Net Capital Value (Market Value)	**Rounded**	**25,843,006,000**
Net Capital Value (Market Value) / m²	**Rounded**	**2,660**

Source: JLL SE

Commercial

Valuation Results

Gross Capital Value	Rounded	160,600,000
Purchasers Costs		7.6%
Net Capital Value (Market Value)	**Rounded**	**149,200,000**
Net Capital Value (Market Value) / m²	**Rounded**	**2,760**

Source: JLL SE

Residential

Key Figures

Net Rental Income	Contractual Rent	811,027,591
Potential Rent	Potential Rent (year 1)	836,635,212
Market Rent	Market Rent	990,434,311
Net Initial Yield (Current Rent)	Net Operating Income / Gross Capital Value	2.2%
Net Initial Yield (Potential Rent)	Potential Rent less Operating Costs / Gross Capital Value	2.4%
Net Initial Yield (Market Rent)	Market Rent less Operating Costs / Gross Capital Value	3.0%
Multiplier (Current Rent)	Market Value / Contractual Rent	31.9
Multiplier (Potential Rent)	Market Value / Potential Rent	30.9
Multiplier (Market Rent)	Market Value / Market Rent	26.1
Net Capital Value (Market Value) / m^2	Market Value / Lettable Area	2,660

Source: JLL SE

Commercial

Key Figures

Net Rental Income	Contractual Rent	7,124,441
Potential Rent	Potential Rent (year 1)	7,136,609
Market Rent	Market Rent	8,452,835
Net Initial Yield (Current Rent)	Net Operating Income / Gross Capital Value	4.1%
Net Initial Yield (Potential Rent)	Potential Rent less Operating Costs / Gross Capital Value	4.1%
Net Initial Yield (Market Rent)	Market Rent less Operating Costs / Gross Capital Value	4.9%
Multiplier (Current Rent)	Market Value / Contractual Rent	20.9
Multiplier (Potential Rent)	Market Value / Potential Rent	20.9
Multiplier (Market Rent)	Market Value / Market Rent	17.7
Net Capital Value (Market Value) / m^2	Market Value / Lettable Area	2,760

Source: JLL SE

7. Conclusion

Finally, and in accordance with our standard practice, we must state that this valuation report was prepared by JLL, dated 12 November 2021 and has been authorised only for use by the addressee listed under Section 1.3 of this valuation report.

Each client guarantees that all valuations, reports, plans, drafts, renderings, tables and calculations arising within the scope of each valuation instruction will only be used for those purposes specified in the contract and will not be published without the express prior consent of the advisor in each individual case, except as indicated in this report. Neither the total report nor any reference to the report may be published in any document, circular letter or paper, without our previous written consent regarding the form as well as the connection in which it will be published, except as indicated in this report.

Berlin, 12 November 2021
Jones Lang LaSalle SE

ppa. Ralf MRICS
Head of Valuation & Transaction Advisory
Germany

ppa. Roman Heidrich MRICS
Lead Director
Valuation & Transaction Advisory

ppa. Sebastian Grimm MRICS
Lead Director
Valuation & Transaction Advisory

23. GLOSSARY

Allocation Value	The target amount (to be determined in euros) that is offered to the Management Board by the Supervisory Board.
APM	Alternative Performance Measure.
Articles of Association	The Company's articles of association.
ATA Directive	Council Directive (EU) 2016/1164 of July 12, 2016.
Audited Annual Financial Statements............................	The Company's audited financial statements prepared in accordance with the German Commercial Code (*Handelsgesetzbuch*) as of and for the financial year ended December 31, 2020.
Audited Consolidated Financial Statements...........	The Company's audited consolidated financial statements prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315e para. 1 of the German Commercial Code (*Handelsgesetzbuch*) as of and for the financial year ended December 31, 2020, December 31, 2019 and December 31, 2018.
Audited Consolidated Financial Statements of Deutsche Wohnen	The audited consolidated financial statements of Deutsche Wohnen as of and for the fiscal years ended December 31, 2020.
Austria..................................	The Republic of Austria.
Authorization Own Shares 2018	Resolution of the Company's shareholders' meeting in May 9, 2018, authorizing the Management Board, until May 8, 2023, provided the principle of equal treatment of shareholders is complied with, to purchase the Company's own shares, up to a total of 10% of the Company's share capital outstanding at the time of the resolution, including the share capital previously held by the Company or attributed to the Company pursuant to Article 5 of the SE Regulation in conjunction with Sections 71d and 71e of the German Stock Corporation Act (*Aktiengesetz*).
Authorized Capital 2018......	The authorized capital of the Company pursuant to § 5 of the Articles of Association of the Company.
Authorized Capital 2021......	Authorized capital created by Company's shareholders' meeting resolution on April 16, 2021, authorizing the Management Board until April 15, 2026, subject to the consent of the Supervisory Board, to increase the Company's share capital by up to EUR 282,943,649.00 through the issuance of up to 282,943,649 new no-par value registered ordinary shares against contributions in cash and/or in kind once or in several instances
BaFin....................................	Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority).

Basic Figures	The underlying figures presented in the Pro Forma Consolidated Financial Information.
Berlin Portfolio.....................	A portfolio of approximately 15,000 apartments (approximately 4,000 apartments of the Vonovia Portfolio and approximately 11,000 apartments of the Deutsche Wohnen Portfolio).
BofA Securities.....................	BofA Securities Europe SA, 51 rue La Boétie, 75008 Paris, France.
Bridge Facilities Agreement	Syndicated bridge facilities agreement that Vonovia entered into with Bank of America Europe Designated Activity Company, Morgan Stanley Bank AG and Société Générale as arrangers, Bank of America National Association Frankfurt Branch / Filiale Frankfurt am Main, Morgan Stanley Bank AG and Société Générale as original lenders and Société Générale as agent in connection with financing the Deutsche Wohnen Transaction, in the amount of EUR 20.15 billion, which was subsequently cancelled in an amount of EUR 3.15 billion and EUR 1.40 billion to amount to EUR 15.6 billion.
Built-in Gains Clause...........	Despite a harmful acquisition of shares, loss carry-forwards, interest carry-forwards and unused losses will be retained to the extent that they do not exceed the acquired company's built-in gains (*stille Reserven*) taxable in Germany and existing at the time of the transfer.
Business Combination Agreement.............................	The business combination agreement Vonovia and Deutsche Wohnen entered into on August 1, 2021.
BUWOG...............................	BUWOG Group GmbH.
BUWOG Group	BUWOG together with its consolidated subsidiaries.
CAGR...................................	Compound Annual Growth Rate.
Capital Increase	Capital increase Vonovia intends to perform against contributions in cash in connection with the Deutsche Wohnen Transaction.
CBRE	CBRE GmbH, Große Gallusstraße 18, 60312 Frankfurt am Main, Germany.
CDP	Carbon Disclosure Project.
China....................................	The People's Republic of China.
Closing Date.........................	The date on which the Company holds 50% or more of the outstanding share capital of Deutsche Wohnen or the first settlement date.
CMS......................................	Compliance management system.
CO_2 levy	Price per metric ton of carbon dioxide emitted.

Code.....................................	German Corporate Governance Code, as amended on December 16, 2019.
Company..............................	Vonovia SE.
Conditional Capital 2018.....	Conditional capital pursuant to Article 5 of the SE Regulation in conjunction with Section 192 of the German Stock Corporation Act created by the Company's shareholders' meeting resolution on May 9, 2018.
Conditional Capital 2021.....	The creation of a new conditional capital resolved by the Company's shareholders' meeting on April 16, 2021 with the simultaneous suspension of the Conditional Capital 2018.
conwert.................................	conwert Immobilien Invest SE.
conwert Group	conwert together with its consolidated subsidiaries.
Corporate Bond August	Five unsecured corporate bonds with total proceeds of EUR 5 billion and an average coupon of 0.49% issued on August 26, 2021, by Vonovia.
Corporate Bond June	Five unsecured corporate bonds with total proceeds of EUR 4 billion and an average coupon of 0.6875% issued on June 10, 2021, by Vonovia.
Corporate Bonds.................	Corporate Bond August together with the Corporate Bond June.
Countries of Business	Germany together with Austria and Sweden.
Covid-19...............................	The outbreak and ongoing pandemic of the coronavirus SARS-CoV-2 first identified in December 2019 and its associated disease.
CPIF	Consumer price index with a fixed rate.
CRA Regulation	Regulation (EC) No 1060/2009 of the European Parliament and of the Council of September 16, 2009 on credit rating agencies, as amended.
CSA	S&P Global Corporate Sustainability Assessment.
CSI.......................................	Customer Satisfaction Index.
D&O	Directors and officers.
DBO......................................	Defined benefit obligations.
DCF	Discounted cash flow.
DCF Methodology...............	Discounted cash flow methodology.

Declaration of Conformity ..	The announcement whether or not the recommendations in the German Corporate Governance Code were complied with and are complied with, or the explanation which recommendations have not been complied with and are not being applied and the reasons underlying this non-compliance.
Deutsche Wohnen	Deutsche Wohnen SE.
Deutsche Wohnen Financing Instruments..........................	The financial liabilities of around EUR 6,308.8 million, liabilities from convertible bonds of around EUR 1,619.1 million, and liabilities from corporate bonds of around EUR 4,055.8 million, *i.e.* total liabilities from financing instruments of around EUR 11,983.7 million reported by the Deutsche Wohnen Group in its interim financial statement as of September 30, 2021.
Deutsche Wohnen Group	Deutsche Wohnen together with its consolidated subsidiaries.
Deutsche Wohnen Group Profit Forecast.....................	Profit forecast for the financial year 2021 relating to the Adjusted EBITDA (without disposals) and the FFO for Deutsche Wohnen.
Deutsche Wohnen Portfolio	The real-estate portfolio held and managed by Deutsche Wohnen
Deutsche Wohnen Shares....	The shares of Deutsche Wohnen.
Deutsche Wohnen Transaction..........................	The voluntary takeover offer of Deutsche Wohnen.
Deutsche Wohnen Valuation Report	The valuation report in relation to the major part of the Deutsche Wohnen Portfolio included in this Prospectus as of December 31, 2020.
DW Share Purchase Agreement............................	The purchase agreement concluded between Vonovia and Deutsche Wohnen in relation to the acquisition of 12,708,563 Deutsche Wohnen shares by Vonovia (approximately 3.53% of the share capital and voting rights in Deutsche Wohnen) on May 24, 2021.
EEA	European Economic Area.
EHS	Environmental, health and safety.
EPRA....................................	European Public Real Estate Association.
EPRA NTA	European Public Real Estate Association Net Tangible Assets.
Escape Clause......................	Exception from the Interest Limitation Rule whereas interest expenses are fully deductible if the equity ratio test is met, *i.e.* the equity ratio of the business in question is by no more than 2 percentage points lower than the equity ratio of the consolidated group.
ESG	Environmental, social and governance.

ESMA	European Securities and Markets Authority.
ESMA Guidelines	Guidelines on alternative performance measures issued by ESMA on October 5, 2015.
EU Parent Subsidiary Directive	The Council Directive No. 2011/96/EU of November 30, 2011.
euro, EUR or €	The single European currency of the Economic and Monetary Union of the European Union.
Fair Value	The discount rate used to calculate the value of the Group's properties recorded on the Company's balance sheet in accordance with International Accounting Standard IAS 40.
FSMA	United Kingdom Financial Services and Markets Act 2000.
FTT	Financial Transaction Tax.
Gagfah	Gagfah S.A.
Gagfah Group	Gagfah together with its consolidated subsidiaries.
GAS 20	The German Accounting Standard No. 20.
GDP	Gross Domestic Product.
GDPR	General Data Protection Regulation.
GdW	German Association of Residential Real Estate Companies (Bundesverband deutscher Wohnungs- und Immobilienunternehmen*)*.
General Meeting	The Company's annual general meeting.
German Disbursing Agent	A domestic bank or financial services institution, a domestic securities trading enterprise (*inländisches Wertpapierhandelsunternehmen*) or a domestic securities trading bank (*inländische Wertpapierhandelsbank*) (including domestic branches of foreign banks and financial services institutions) or such an institution that sells or disposes the shares or subscription rights and disburses or credits the proceeds from the sale or disposal.
German GAAP	German Commercial Code (*Handelsgesetzbuch*) and German generally accepted accounting principles.
Germany	The Federal Republic of Germany.
Group FFO	Group Funds from Operations.

Group or **Vonovia**	The Company together with its consolidated subsidiaries, including, as of the first day of consolidation on September 30, 2021, Deutsche Wohnen. References in this Prospectus to Vonovia or the Group relating to facts or circumstances which occurred as of a date being prior to September 30, 2021, do not include the Deutsche Wohnen.
GSW	GSW Immobilien AG.
Hembla	Hembla AB (publ).
Hembla Group	Hembla together with its consolidated subsidiaries.
I&BB	Innovation & Business Building.
IAS	International Accounting Standard.
IDW	Institute of Public Auditors Germany.
IDW RH HFA 2.003	IDW accounting note on the preparation of profit forecasts and estimates under the special requirements of the prospectus regulation.
IFRS	International Financial Reporting Standards as adopted by the European Union.
Interest Limitation Rule	Rules for limiting the tax deductibility of interest expenses for income tax purposes introduced by the ATA Directive of the European Union.
IR	Investor Relations.
IRR	Internal rate of return.
ISARIA Group	ISARIA Wohnbau AG and its consolidated subsidiaries.
ISIN	International Securities Identification Number.
IVS	International Valuation Standards.
JLL	Jones Lang LaSalle SE, Bockenheimer Landstraße 55, 60325 Frankfurt am Main, Germany.
Joint Bookrunners	BNP PARIBAS, Citigroup Global Markets Europe AG, COMMERZBANK Aktiengesellschaft, Deutsche Bank Aktiengesellschaft, Goldman Sachs Bank Europe SE, ING Bank N.V., Intesa Sanpaolo S.p.A., J.P. Morgan AG, Landesbank Baden-Württemberg, UBS AG London Branch, UniCredit Bank AG together with the Joint Global Coordinators.
Joint Global Coordinators	BofA Securities Europe SA, Morgan Stanley Europe SE and Société Générale.

KATHARINENHOF Group	KATHARINENHOF Seniorenwohn- und Pflegeanlage Betriebs-GmbH together with its consolidated subsidiaries.
KPI	Key Performance Indicator.
KPMG..................................	KPMG AG Wirtschaftsprüfungsgesellschaft, Tersteegenstr. 19-23, 40474 Düsseldorf, Germany.
krona or SEK	The lawful currency of Sweden.
LEI..	Legal Entity Identifier.
LTIP	Long Term Inventive Plan.
LTV Ratio	Loan to value ratio.
Luxembourg	Grand Duchy of Luxembourg.
Majority Shareholder..........	A shareholder holding 95% of the share capital.
Management Board	The Company's management board (*Vorstand)*.
MAR.....................................	Regulation (EU) No 596/2014 of April 16, 2014 (Market Abuse Regulation).
MiFID II...............................	Directive 2014/65/EU of May 15, 2014 on markets in financial instruments, as amended.
MiFID II Product Governance Requirements..	MiFID II together with Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II and local implementing measures.
Minimum Risk Test	Three cumulative prerequisites for the reduction of (or exemption from) withholding tax.
Moody's................................	Moody's Deutschland GmbH, An der Welle 5, 60322 Frankfurt am Main, Germany.
Morgan Stanley...................	Morgan Stanley Europe SE, Große Gallusstraße 18, 60312 Frankfurt am Main, Germany.
NAV......................................	Net asset value.
Net Book Value....................	The net book value of the shareholders' equity of the Company as of September 30, 2021, as recorded in the Unaudited Condensed Interim Consolidated Financial Statements as line item "total equity attributable to Vonovia shareholders".
New Shares	201,340,062 newly issued no-par value (*Stückaktien*) registered (*Namensaktien*) ordinary shares from a capital increase against cash contributions from authorized capital with indirect subscription

	rights (*mittelbare Bezugsrechte*), resolved by the Company's management board (*Vorstand*) on November 21, 2021 with approval of the Company's supervisory board (*Aufsichtsrat*) on November 21, 2021, of the Company.
NTA	Net Tangible Assets.
OeNB	Austrian national bank (*Österreichische Nationalbank*).
Offering	The Rump Placement together with the Subscription Offer.
Performance Period	Assessment period of generally four years.
Performance Shares	Annual remuneration component with a long-term incentive effect and balanced risk-reward profile in the form of virtual shares Each Management Board member is offered.
PFLEGE & WOHNEN HAMBURG Group	PFLEGEN & WOHNEN HAMBURG GmbH together with its consolidated subsidiaries.
PPA	Allocation of the total purchase price to the acquired assets and liabilities.
Pre-Acquisition	Refers to Vonovia acquiring 107,967,639 Deutsche Wohnen shares (approximately 29.99% of the share capital and voting rights in Deutsche Wohnen) via both on and off-exchange trading between April 20, 2021 and August 23, 2021.
Preliminary PPA	Preliminary valuation of the acquired net assets in connection with the Deutsche Wohnen Transaction at fair value as of September 30, 2021.
Pro Forma Consolidated Financial Information	Pro forma consolidated financial information, consisting of a pro forma consolidated income statement for the period from January 1, 2020 to December 31, 2020, a pro forma consolidated income statement for the period from January 1, 2021 to September 30, 2021 and pro forma notes.
Pro Forma Financial Information	Pro forma financial information in accordance with Commission Delegated Regulation (EU) 2019/980 of March 14, 2019 to illustrate certain effects of the Deutsche Wohnen Transaction.
Prospectus	This prospectus.
Prospectus Regulation	Regulation (EU) 2017/1129 of the European Parliament and of the Council of June 14, 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market and repealing Directive 2003/71/EC, as amended.
Qualified Participation	If the shareholder or, in the event of a gratuitous transfer, its legal predecessor, or, if the shares have been gratuitously transferred several times in succession, one of his legal predecessors at any point

	during the five years preceding the disposal directly or indirectly held at least 1% of the share capital of the Company
QUARTERBACK................	QUARTERBACK Immobilien AG.
Red Book..............................	The RICS valuation – global standards (2020).
Relationship Agreement......	An agreement that will govern certain key principles for the future relationship and cooperation between the Company and Deutsche Wohnen.
Relevant State.......................	Any member state of the EEA or the United Kingdom.
RETT....................................	Real estate transfer tax.
RICS.....................................	Royal Institution of Chartered Surveyors.
RPA	Robotic process automation.
RTSR....................................	Relative Total Shareholder Return.
Rump Placement..................	The offer by the Joint Bookrunners by way of private placements (i) to selected qualified investors in certain jurisdictions outside the United States in offshore transactions in reliance on Regulation S under the Securities Act, and (ii) in the United States to qualified institutional buyers in reliance on Rule 144A under the Securities Act.
Rump Shares	Any New Shares that are not subscribed for in the Subscription Offer.
Savills	Savills Sweden AB, Regeringsgatan 48, 111 56 Stockholm, Sweden.
Scope	Scope Ratings GmbH, Lennéstraße 5, 10785 Berlin, Germany.
SDG	Sustainable Development Goals.
SE Regulation.......................	Council Regulation (EC) 2157/2001 of October 8, 2001 on the Statute for a European company.
Securities Act........................	U.S. Securities Act of 1933, as amended.
SEK	The lawful currency of Sweden.
Shares...................................	The Company's existing shares.
Short Selling Regulation	Regulation (EU) No. 236/2012 of the European Parliament and of the Council of March 14, 2012 on short selling and certain aspects of credit default swaps, as amended.
Société Générale...................	Société Générale, 29 boulevard Haussmann, 75009 Paris, France.

SPI	Sustainability Performance Index.
Sqm	Square meter.
Stand-Alone Clause	Exception from the Interest Limitation Rule whereas interest expenses are fully deductible where the business in question does not belong to a group, *i.e.* it does not have to be consolidated with other businesses.
Standard & Poor's	S&P Global Ratings Europe Limited (Germany), Bockenheimer Landstraße 2, 60306, Frankfurt am Main, Germany.
Subscription Offer	The offering of New Shares to the existing shareholders of the Company.
Subscription Period	The period in which Subscription rights can be exercised.
Subscription Price	The price at which new Shares may be acquired.
Subscription Ratio	The subscription ratio at which the New Shares will be offered to existing shareholders.
Supervisory Board	The Company's supervisory board (*Aufsichtsrat*).
Sweden	The Kingdom of Sweden.
SYNVIA Group	SYNVIA media GmbH together with its consolidated subsidiaries.
Target Market Assessment	New Shares and the subscription rights for the New Shares are: compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and eligible for distribution through all distribution channels as are permitted by MiFID II.
TGS	Deutsche TGS GmbH.
Unaudited Condensed Interim Consolidated Financial Statements	The Company's unaudited condensed interim consolidated financial statements prepared in accordance with IFRS as adopted by the European Union applicable to interim financial reporting (IAS 34) as of and for the nine-month period ended September 30, 2021.
Unaudited Interim Consolidated Financial Statements of Deutsche Wohnen	The unaudited interim consolidated financial statements of Deutsche Wohnen as of and for the nine-month period ended September 30, 2021, prepared in accordance with IFRS as adopted by the European Union applicable to interim financial reporting (IAS 34).
Underwriting Agreement	The agreement entered into by the Company and the Joint Bookrunners dated November 21, 2021.
United States	The United States of America.

US dollars, US$, USD or $...	The lawful currency of the United States.
Valuation Reports................	The reports prepared by CBRE, Savills and JLL in accordance with the Red Book incorporating the IVS and IAS 40 in conjunction with IFRS 13.9.
Valuers..................................	CBRE, Savills and JLL.
VAT......................................	Value added tax.
Victoria Park........................	Victoria Park AB (publ).
Victoria Park Group............	Victoria Park together with its consolidated subsidiaries.
VIT	Vonovia Immobilien Treuhand GmbH.
VoIP......................................	Voice-over-internet protocol.
Vonovia	See under "Group" in this Glossary.
Vonovia Portfolio.................	The real-estate portfolio held and managed by Vonovia prior to the implementation of the Deutsche Wohnen Transaction.
Vonovia Profit Forecast.......	Means the profit forecast for fiscal year 2021 relating to Adjusted EBITDA Total and Group FFO for Vonovia, excluding Deutsche Wohnen.
Vonovia Valuation Reports.	The valuation reports in relation to the Vonovia Portfolio included in this Prospectus as at June 30, 2021 and December 31, 2020.
WIFO	The Austrian Institute of Economic Research (*Österreichisches Institut für Wirtschaftsforschung)*.
WSV Authorization 2018	Authorization resolution of the Company's shareholders' meeting of May 9, 2018 with regards to the Conditional Capital 2018.
WSV Authorization 2021	The new authorization to issue convertible bonds and similar instruments.

24. RECENT DEVELOPMENTS AND OUTLOOK

24.1 Recent Developments

In connection with the Deutsche Wohnen Transaction, Vonovia announced on September 21, 2021, its intention to offer to the shareholders of GSW, in which Deutsche Wohnen held 93.97% of the share capital at that date, by way of a voluntary public takeover offer, to acquire their no-par value bearer shares in GSW, each representing a pro rata amount of the registered share capital of GSW of EUR 1.00 per share against payment of a cash consideration in the amount of the statutory minimum price. BaFin permitted the publication of Vonovia's offer document which contains the contents of the offer and supplementary details on October 29, 2021. The offer document was published on Vonovia's website on the same day; an announcement was also made in the German Federal Gazette (*Bundesanzeiger*). The period for acceptance of the offer (acceptance period) started on October 29, 2021 and will end on December 20, 2021; there may be an extension of the acceptance period in certain cases. The consummation of the transaction is expected for January 2022 and will not be subject to any closing conditions.

In October 2021, Vonovia Finance B.V. assumed a secured loan from a banking syndicate with Aggregate Holdings Invest S.A as borrower. The loan has a term of 18 months, amounts to EUR 250 million, including an upsizing of EUR 30 million granted by Vonovia Finance B.V., and is secured by a 26.6% stake in Adler Group S.A. If the ratio between the outstanding loan amount and the value of the collateral increases above the agreed threshold, Vonovia Finance B.V. has the right to issue a margin call requiring the borrower to compensate the collateral shortfall and fully secure the loan again. If such margin call is not complied with, Vonovia Finance B.V. can accelerate the loan and enforce its security rights. Such enforcement would result in the monetization of the Adler stake or, alternatively, in Vonovia Finance B.V. becoming a shareholder of Adler Group S.A.

In connection with this transaction, Vonovia entered into an agreement with Aggregate Holdings Invest S.A. providing Vonovia with a call option for initially up to approximately 13.3% of the shares in Adler Group S.A. at a strike price of EUR 14.00 per Adler share. Vonovia may exercise this option until April 7, 2023. The maximum number of Adler shares subject to the call option decreases to the extent Vonovia enforces its security rights over the Adler stake or acquires additional Adler shares in excess of 10% of the current Adler share capital, including by way of subscribing to new shares from an Adler capital increase without subscription rights for a price of no more than EUR 14.00 per share (that Aggregate has agreed to use best efforts to initiate by October 2022). To the extent Vonovia falls short of a stake of 10% of the current Adler share capital, the maximum number of shares subject to the call option increases (up to a maximum of 15% in Adler Group S.A.).

In connection with the option agreement, Aggregate Holdings Invest S.A. agreed to use best efforts to support the appointment of a board representative nominated by Vonovia in case Vonovia's shareholding reaches or exceeds 10% in Adler Group S.A.

24.2 Outlook

Based on the financial information included in the Unaudited Condensed Interim Consolidated Financial Statements, as incorporated into this Prospectus on page F-3, the information recorded in Vonovia's internal accounting and management systems and the current knowledge about the business developments as well as the assumptions of Vonovia's Management Board, Vonovia expects an Adjusted EBITDA Total at the upper end of the range of EUR 2,055 million to EUR 2,105 million and a Group FFO of EUR 1,520 million to EUR 1,540 million for Vonovia, excluding Deutsche Wohnen, for the current fiscal year 2021. For further information, see "*9 Profit Forecast*".

Furthermore, Vonovia expects the value of the Group to increase in 2021 and predicts 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, Vonovia expects to see an effect from the valuation of investment properties as well as capitalized modernization costs related to the Vonovia

Portfolio in the form of an increase in value of between EUR 1.8 billion and EUR 2.6 billion in total compared with September 30, 2021.

Moreover, Vonovia expects Adjusted EBITDA Total and Group FFO to continue to grow in the medium-term, with total segment revenue and rental revenue expected to continue to grow while "organic rent growth", "recurring sales" and "Fair-value step-up Recurring Sales" expected to remain stable.