VONOVIA SE
ANNUAL REPORT 2021

We are Part of the Solution.

VONOVIA

Key Figures

Financial Key Figures in € million	2017	2018	2019	2020	2021
Total Segment Revenue	2,822.0	3,610.7	4,111.7	4,370.0	5,179.9
Adjusted EBITDA Total	1,319.7	1,554.8	1,760.1	1,909.8	2,269.3
Adjusted EBITDA Rental	1,148.7	1,315.1	1,437.4	1,554.2	1,648.0
Adjusted EBITDA Value-add	102.1	121.2	146.3	152.3	148.8
Adjusted EBITDA Recurring Sales	62.2	79.1	91.9	92.4	114.0
Adjusted EBITDA Development	6.7	39.4	84.5	110.9	187.7
Adjusted EBITDA Deutsche Wohnen				–	170.8
Group FFO	975.0	1,132.0	1,218.6	1,348.2	1,672.0
thereof attributable to Vonovia shareholders	920.4	1,069.7	1,165.6	1,292.0	1,605.0
thereof attributable to Vonovia hybrid capital investors	40.0	40.0	40.0	40.0	38.4
thereof attributable to non-controlling interests	14.6	22.3	13.0	16.2	28.6
Group FFO per share in €*	1.88	2.04	2.11	2.23	2.15
Income from fair value adjustments of investment properties	3,434.1	3,517.9	4,131.5	3,719.8	7,393.8
EBT	4,007.4	3,874.3	3,138.9	5,014.4	5,482.4
Profit for the period	2,566.9	2,402.8	1,294.3	3,340.0	2,830.9
Cash flow from operating activities	946.0	1,132.5	1,555.9	1,430.5	1,823.9
Cash flow from investing activities	-1,350.1	-3,892.5	-2,505.7	-1,729.9	-19,115.8
Cash flow from financing activities	-870.5	3,041.5	902.8	402.6	18,125.0
Total cost of maintenance, modernization and new construction	1,124.8	1,569.4	1,971.1	1,935.9	2,185.6
thereof for maintenance expenses and capitalized maintenance	346.2	430.4	481.6	592.0	666.4
thereof for modernization	712.9	904.7	996.5	908.4	758.6
thereof for new construction	65.7	234.3	493.0	435.5	526.6
thereof Deutsche Wohnen	–	–	–	–	234.0

Key Balance Sheet Figures in € million	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2021
Fair value of the real estate portfolio	33,436.3	44,239.9	53,316.4	58,910.7	97,845.3
EPRA NTA			29,762.2	35,488.6	51,826.1
EPRA NTA per share in €*			51.44	58.78	66.73
LTV (%)	39.8	42.8	43.1	39.4	45.3

Non-financial Key Figures	2017	2018	2019	2020	2021
Number of units managed	409,275	480,102	494,927	489,709	636,507
thereof own apartments	346,644	395,769	416,236	415,688	565,334
thereof apartments owned by others	62,631	84,333	78,691	74,021	71,173
Number of units bought	24,847	63,706	23,987	1,711	155,145
Number of units sold	11,780	15,102	4,784	3,677	6,870
thereof Recurring Sales	2,608	2,818	2,607	2,442	2,747
thereof Non-core Disposals	9,172	12,284	2,177	1,235	723
thereof Deutsche Wohnen				–	3,400
Number of new apartments completed	250	1,108	2,092	2,088	2,200
thereof own apartments	250	638	1,301	1,442	1,373
thereof apartments for sale	–	470	791	646	827
thereof Deutsche Wohnen				–	–
Vacancy rate (in %)	2.5	2.4	2.6	2.4	2.2
Monthly in-place rent in €/m²	6.27	6.52	6.93	7.16	7.33
Organic rent increase (in %)	4.2	4.4	3.9	3.1	3.8
Carbon intensity achieved in Germany (in kg CO_2e/m^2)**	50.7	48.8	47.2	39.5	38.4
Number of employees (as of Dec. 31)	8,448	9,923	10,345	10,622	15,871

EPRA Key Figures in € million	2017	2018	2019	2020	2021
EPRA NTA			29,762.2	35,488.6	51,826.1
EPRA NTA per share in €*			51.44	58.78	66.73
EPRA NRV			37,065.9	43,677.3	64,216.1
EPRA NRV per share in €*			64.06	72.34	82.69
EPRA NDV			17,161.9	20,543.4	30,155.4
EPRA Earnings	838.2	932.5	1,075.8	1,196.9	1,361.7
EPRA Net initial yield in %	3.7	3.5	3.3	3.0	2.6
EPRA Topped-up Net initial yield in %	3.7	3.5	3.3	3.0	2.6
EPRA Vacancy rate in %	2.3	2.3	2.4	2.3	2.0
EPRA Cost ratio (incl. direct vacancy costs) in %	26.3	25.9	25.8	26.8	25.5
EPRA Cost ratio (excl. direct vacancy costs) in %	24.8	24.6	24.5	25.6	24.4

* Based on the shares carrying dividend rights on the reporting date, prior-year values TERP-adjusted (1.067).
** From 2020 Change in CO_2-emissions calculation (update of data sources and harmonization of emission factors), therefore limited comparability with previous years.

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Urban areas are in urgent need of new homes. We are helping to close this gap – through densification, vertical expansion and new construction. Thanks to its 2018 takeover of BUWOG – a separate entity in the company with new construction expertise – Vonovia has access to more than **70 years of development experience**.

We are Part of the Solution.

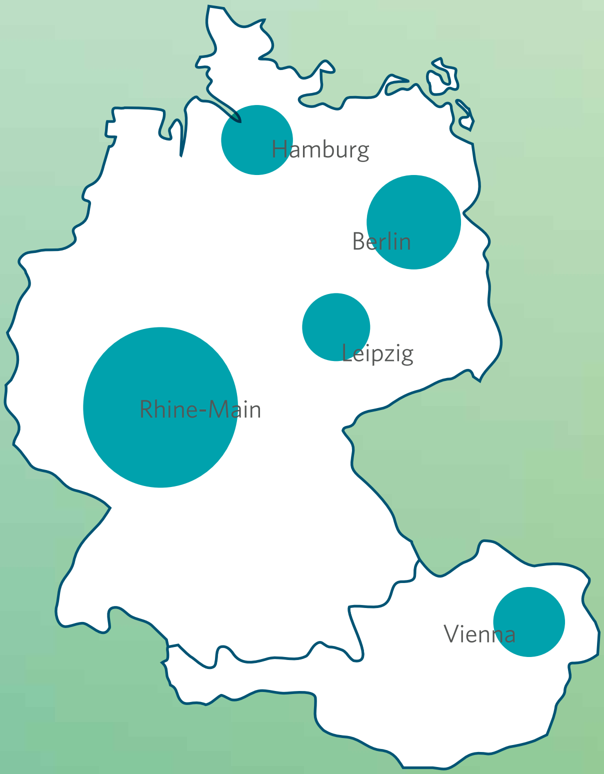
As one of Germany's leading residential real estate companies, we are a member of society. And we're using this opportunity to tackle society's tasks: We build apartments to address the shortage of homes in metropolitan areas. We develop neighborhoods and foster social interaction among our tenants – for an environment that is functional and vibrant. With innovative solutions, we can effectively combat climate change. Wherever people are designing the living culture of tomorrow, we are Part of the Solution.

Urban land for homes is in short supply and must be used wisely. One example is our SPEICHERBALLETT project in Spandau, Berlin: Here, directly on the banks of the River Havel, a neighborhood is emerging that considers **various aspects of sustainability** and demonstrates what the neighborhood of the future could look like – one that promotes social diversity and quality of life for all generations, fosters the expansion of e-mobility by making charging points available, and uses solar power to save energy.

"With an increasing number of development projects, we will add additional chapters to our success story."

EVA WEISS
MANAGING DIRECTOR OF BUWOG

The demand for homes is particularly high in metropolitan areas, so our subsidiary BUWOG focuses on these very regions.



Like many urban places, the area between Regattastrasse and Dahme-Ufer in Berlin was once an industrial location. Today, in the heart of our 52° North neighborhood, there is a 6,000 m² pond. It collects rainwater from the surrounding homes, purifies it biologically by means of plants that grow by the water, and sends it back into the **natural water cycle** through evaporation.


BUWOG

Geothermal energy is an inexhaustible and regenerative source of heat – one example is our new MARINA TOWER housing project on the banks of the Danube in Vienna, where such a system generates part of the energy. A heat pump system uses the natural temperature of the layers of soil near the surface for cooling in summer and for heating in winter. This allows existing resources to be used to save energy in an environmentally friendly and sustainable way.

One of the tasks of architecture is to **bring homes together with the community**. The “floating walkways of Grünau” in the 52° North neighborhood is testimony to how this can be achieved. The middle building in THE VIEW trio features large balconies looking onto the water. Visually floating walkways running parallel to the facade connect the generous balconies and terraces with one another on every floor. The buildings leave space for a public walkway directly by the water’s edge.

Sustainable raw materials are playing an increasingly important role in the construction process. In the Grünau district of Berlin, for example, our multifamily residences are built using wood-hybrid construction. Wood stores CO_2 as it grows and ensures a natural living environment when used as a building material later on. On the other hand, we have only used conventional building materials such as carbon-intensive reinforced concrete and bricks to a minimal extent in this project.

“Our cities need new homes that fit with people’s living environments. These are diverse, sustainable, and tailored to suit the various lifestyles of the residents.”

THOMAS MAHLER

HEAD OF PROJECT DEVELOPMENT AT BUWOG

The SPEICHERBALLETT project focuses on minimal traffic and a **high quality of life and leisure – for all generations**. Fully accessible and barrier-free apartments with different floor plans in varying sizes are as much part of the concept as freely accessible green spaces, playgrounds and recreational areas, as well as the neighborhood's own daycare center. A building designed specifically for senior citizens provides daycare that is also open to people who do not live in the neighborhood.

Residents in the south of Vienna can also enjoy a special quality of life and leisure. With its **holistic environmental concept**, our ERnteLAA residential project allows residents to adopt a sustainable lifestyle and teaches them how to handle resources and nature carefully with its urban gardening approach. In 2021, the residential project won the International Property Award as a flagship project for sustainability in Europe, bringing it international recognition.

Best practice – Alboingärten in Schöneberg, Berlin: an example of how we contribute to the solution.

We can help shape the environment and life in our neighborhoods in both structural and social terms. We do this as a joint effort – together with local stakeholders and in close cooperation with the municipalities. Our solutions help ensure that our tenants live in diverse and open neighborhoods with real quality of life.

Affordable and environmentally friendly homes

> 19 residential buildings with 432 apartments
> of which 99 are publicly funded and 149 are barrier-free
> Quiet landscaped courtyards with two playgrounds
> Day care center with 60 places
> 15 residential units for therapeutic housing in cooperation with AWO

www.vonovia.de/alboingaerten

Our “Alboingärten” project is creating a **model inner-city neighborhood** in the Tempelhof-Schöneberg district of Berlin. In the future, all generations will be able to find a home in the one- to five-room apartments, some of which are barrier-free. The energy supply is also based on a sustainable concept: power is supplied by a cogeneration unit that uses a percentage of biogas. We have also installed photovoltaic facilities on around one-third of the green roofs.

The **next generation** needs space to create and grow. Providing this space plays a major role in our neighborhood development projects. The main aim is to identify existing needs and respond to them. To achieve this, we cooperate with local social and state institutions, welfare organizations and social agencies, and charitable and cultural institutions. Our partner in the Alboingärten complex is AWO pro:mensch gGmbH.

Energy from the sun on the roof straight to the plug: This improves the emission balance. To achieve **climate-neutral housing stock**, we aim to equip every suitable roof with photovoltaic modules by 2050. The electricity generated by the modules can be used across sectors to generate heat, to provide charging infrastructure for e-mobility and for tenant electricity.

“We take responsibility: for more climate protection, affordable homes and good neighborhoods.”

THOMAS WESCHE

REGIONAL AREA MANAGER IN BERLIN

The Company and its Shares

Our sustainable and successful business model provides answers to the questions of the future facing our society. As a leading company for affordable homes, we enjoy a position at the heart of society and offer solutions: we develop neighborhoods and create new homes as part of a sustainable strategy. We offer solution concepts to counter climate change.

Dear Shareholders, Dear Readers,

We can look back with you on what was an extremely successful 2021 fiscal year. Thanks to a combination of our financial strength and pronounced sense of social responsibility, we improved on the relevant key figures in a year-on-year comparison. Once again, we exceeded our own forecasts.

The sustained, highly dynamic market conditions and positive performance overall is also reflected in our key figures: the net asset value, EPRA NTA, was up by 46.0% year-on-year, with the fair value rising by 66.1%. In addition to the market situation, the merger with Deutsche Wohnen as well as investments in modernization and new construction remained the main factors behind this trend. We invested a total of around € 2.19 billion in our portfolio last year. In spite of the pandemic and supply chain disruptions, we once again completed more than 2,200 apartments in Germany, Austria and Sweden – many of them based on innovative concepts. We continue to stand for affordable housing in Germany, with an average rent of € 7.19 per square meter. The vacancy rate remains at a very low level of 2.2%.

Segment revenue was up by 18.5%. Adjusted EBITDA Total and Group FFO increased by 18.8% and 24.0% respectively. These figures include Deutsche Wohnen on a pro rata basis since its consolidation in September 2021.

Our positive financial ratings remain stable. They are testimony to the trust that the capital market places in our business model and ensure smooth financing and refinancing processes. Our balanced maturity profile ensures that we only have to repay around 11% of maturities every year. Within this context, we endeavor to ensure the greatest possible diversification of our financing sources.

At 109%, the Sustainability Performance Index (SPI), as a comprehensive non-financial parameter, exceeded our forecast for the year. Our positions in renowned sustainability ratings also show that we are on the right track in this area. Last December, for example, the agency Standard & Poor's Global ranked us among the top 7% real estate companies operating worldwide – confirming our ranking in the Dow Jones Sustainability Index (DJSI) Europe.

The customer satisfaction index (CSI) rose again by 4.5%. Our tenants know that they can rely on us in these challenging times and that we offer them security and stability.

Our successful and stable core business is a prerequisite for putting us in a position to tackle the challenges on the housing market. Demographic change, the shortage of affordable homes in sought-after towns and cities and, in particular, climate change call for our full commitment – and we know that you, our shareholders, are fully behind us as we pursue this strategy.

However, key financial figures are only secondary these days. We stand in solidarity with the people of Ukraine. Our thoughts are with the men and women who had to flee their homeland to escape from war, bring their children and grandchildren to safety and save their lives.

We can see that our society is facing the key issues of this era together – and acting together against the war. We are witnessing great readiness to help in Europe and all over the world. And we are also doing our best to help people: We will provide apartments quickly and with minimal red tape so that Ukrainians can have peace and safety, and we hope that this senseless war ends soon.

Going back to the company's development, protecting our climate continues to be a top priority. The energy revolution is gathering pace, and social issues are playing more of a role in shaping political decisions than they have for a long time. Here at Vonovia, we are ready to help shape, and actively contribute to, these developments.

Rolf Buch

Chairman of the Management Board (CEO)

Philip Grosse

Member of the Management Board (CFO)

Helene von Roeder

Member of the Management Board (CTO)

Arnd Fittkau

Member of the Management Board (CRO)

Daniel Riedl

Member of the Management Board (CDO)

After all, in every single one of these areas, what is important now is that we do the right things. **But we also have to do them in the right way.** This means that we have to have our goal in mind and then plan from there, thinking about which steps are the important ones to take right now. These steps will demand a lot of us. But if we fail to show the determination we need in taking them, it will cost us all even more energy at the end of the day.

The reason I am emphasizing this so clearly is because **Vonovia has a responsibility** to help shape the path that will be taken. We have a clear plan that is consistent with the interests of our tenants. They need good-quality and affordable homes. The plan is consistent with your interests as our shareholders. We are developing our portfolio to make it fit for the future, allowing for returns commensurate with the risk involved. Our approach is also in the interests of climate protection, which is undoubtedly one of the key challenges of this century. Following the successful merger with Deutsche Wohnen, we will be able to address these issues with combined forces – and, as a result, with even greater strength. We will be leveraging our size to help improve the situation on the housing market again.

But another reason why I am so keen to emphasize this is because this process will require **the support of all players**. In addition to residential real estate companies, policymakers, tenant representatives, the construction industry and social associations are also being called upon to act. The political focus on climate protection in the construction sector is the right approach. But we must not lose sight of the costs involved for tenants and for landlords alike. Without government support, it will be impossible to create housing that is both affordable and climate-neutral.

Incidentally, this refers to the process of implementation as much as it does to the financial side of things. Vonovia has very good staff resources with around 5,000 of its own craftswomen and craftsmen. Nevertheless, we too have to explore new avenues in order to recruit more staff. I am looking forward to welcoming the first few specialists from Colombia to our company this year so that we can build on their support.

The ambitious goal of climate neutrality is forcing us to rethink a lot of things. We need to make changes: to our energy and heat supply. To our construction materials. And possibly also to our rent models. We are currently keeping a very close eye on rising energy prices. The models for rent including ancillary expenses that we are looking at are based on the idea that landlords reach an agreement with tenants on a rent that already includes the costs for heating and electricity. This benefits both sides, because landlords have an incentive to modernize their buildings to make them more energy-efficient, while society also benefits if the heating revolution in the buildings sector moves up a gear.

Germany has had a Ministry of Construction since December. New construction, serial construction, accelerated planning and approval procedures or CO_2 pricing – we are convinced that the new coalition government is pursuing the right approaches to tackling the problems. We are also receiving a boost at EU level. The Energy Performance of Buildings Directive recognizes that climate neutrality in the buildings sector must be based on a two-fold approach: energy-efficient building modernization measures and the replacement of fossil fuels with renewable energies. This validates our climate strategy, which we further developed this year by means of a new climate path. **Our goal is to establish a virtually climate-neutral building stock by 2045.** This goal is scientifically sound and underpinned by binding yearly targets.

We will be using other levers, too: in the future, sustainable construction materials will also help to reduce carbon emissions in both our new construction and refurbishment work. In the Berlin district of Reinickendorf, for example, we have demonstrated that construction can also be climate-friendly. Last year saw us build 60 apartments here using sustainable and modular timber construction, with a total of around 700 such apartments being built across Germany.

While this is a start, we need more. Specifically, we need more partners. This is why we will be extending invitations to a conference on the topic of construction materials – based on the model used for our own climate conference in 2020 – in November 2022. The conference will bring together experts from the housing industry, the construction and construction materials sector, associations as well as academia and politics to discuss sustainability, recycling and the affordability of construction materials. This is the only way to progress in this area, too: by facilitating dialogue among experts and a common understanding at the political, economic and scientific levels.

Dear Shareholders,

we expect to see continued positive business development in the 2022 fiscal year. As ever, we will remain on hand to support our customers as a reliable partner. We have set realistic targets as always.

As far as a climate-neutral housing stock is concerned: The amendments made to the German Climate Protection Act prompted us to revise our climate path. We now know that we can achieve our ambitious climate protection targets, which feature clearly defined interim targets, as early as 2045 instead of 2050. The number of climate projects is continuously increasing and ranges from a boom in photovoltaic technologies to new construction and innovative insulation methods and cooperation projects on the topic of green hydrogen.

We want to accelerate our neighborhood development projects even further. In 2021, we completed 15 such projects across Germany. We will be pushing ahead with these projects in 2022. We are convinced that we can only rise to social challenges, and the challenges that climate protection entails, if we consider both aspects together. To give an example: If we turn the energy revolution into a reality in our neighborhoods with the help of sector coupling, we will have sufficient green direct electricity available. If we can achieve this, then we can do away with the system of variable costs for our tenants, and just like that, we end up with a rent model in which the expenses for energy consumption form part of the fixed costs.

2022 will be dominated by the integration of Deutsche Wohnen; we are aiming to have completed the merger by the close of the year. From experience, I can say that we will soon unite around common goals when it comes to corporate culture as well. I would like to take this opportunity to warmly welcome all the company's employees to the Vonovia team. I look forward to the collaboration, new ideas and future goals that we will set and achieve together.

As was the case last year, we will once again meet at a virtual Annual General Meeting in April. On April 29, 2022, together with the Supervisory Board, we will be proposing a dividend of € 1.66 per share. By increasing the dividend by 8 cents – taking into account the capital increase with subscription rights in 2021 – we can maintain the continuity of the last few years. As you can see, you can rely on us and Vonovia's economic growth, even if the our share price performance does not currently reflect this strength. Macroeconomic factors are clearly having an impact here.

Our Management Board team was expanded effective from January 1, 2022, and I would like to take the opportunity to once again extend a warm welcome to Philip Grosse as CFO. Going forward, Helene von Roeder will be responsible for issues of the future related to digitalization and innovation in the housing industry in a newly created executive division.

Together with my team on the Management Board, I would like to thank you, our shareholders, partners and employees, for your trust and support over the past year. I would like to thank the Supervisory Board for what was, once again, a very positive working relationship.

This year, I am once again counting on you, our shareholders. We will only be able to achieve our shared objectives if we tackle them together. Everyone needs to do their bit if we want to continue to make a responsible contribution for our customers and society at large.

Bochum, March 2022

Sincerely,

Rolf Buch
Chairman of the Management Board

Rolf Buch (CEO)

Report of the Supervisory Board

Ladies and gentlemen,

In 2021, the health protection measures imposed in response to the pandemic once again had a significant impact on how we live as a society. The working world was also subject to considerable restrictions. The innovative strength shown by several pharmaceutical companies at once boosted confidence, as they succeeded in developing vaccines to combat serious illness caused by the coronavirus.

Tackling the issues of the future with an entrepreneurial mindset and allowing innovations that are relevant to society to emerge in the process – time and again, this approach also served as an important guiding principle in our joint strategic consultation sessions with the Management Board.

The advent of vaccinations fueled mounting hopes among society at large of a return to "normal" life. Despite an increasing number of vaccinated people, contact restrictions remained in place, meaning that people tended to stay at home, many of them also working from home. At the same time, they increasingly treated their homes as their main place of retreat.

In this environment, the provision of affordable housing, particularly in major cities, moved into the social spotlight – and, as a result, also into the spotlight of political action. Social pressure on policymakers and the housing industry increased considerably. In Berlin, the critical housing situation sparked an intensive public debate that led to a referendum on the drafting of a bill for the socialization of residential real estate companies. The company Deutsche Wohnen became a target.

We supported the Management Board with its considerations about pooling resources within an expanded housing company in Berlin and joining forces with politicians to be a responsible part of the solution. With the successful takeover offer for the shareholders of Deutsche Wohnen SE, Vonovia SE became its majority shareholder. This now enables an orchestrated approach on the tense Berlin housing market.

This transaction, the biggest executed by Vonovia SE to date, played an important role in the work of both the Management Board and the Supervisory Board in the 2021 fiscal year. This did not interfere with the company's operational management at any time. Business developments in the 2021 fiscal year were in line with expectations in all key respects.

The Management Board and Vonovia's employees worked tirelessly to take responsibility for tenants, even when faced with difficult conditions. They maintained the infrastructure in Vonovia's residential complexes, provided customers with services and supported them in difficult situations.

In the previous year of the pandemic, the Management Board once again lived up to its responsibility for the health of Vonovia's employees at all times. Health protection for high-risk groups and for those employees working on-site in customers' homes or in the corporate headquarters and offices continued to be a top priority at all times. In order to reduce the risk of infection, Vonovia allowed employees to work from home, wherever possible, from the very start of the pandemic. The coronavirus task force – which had already been established back in 2020 – set up an internal vaccination center at corporate headquarters at the direction of the Management Board, where company doctors offered coronavirus vaccinations to employees. The Management Board provided information about the impact of the pandemic as part of its regular reporting.

In the 2021 fiscal year, the Supervisory Board continuously monitored the Management Board's management activities and provided the Management Board with regular advice concerning the running of the company. We were able at all times to establish that their actions were lawful, expedient and regular. The Management Board notified us regularly, promptly and comprehensively, both in writing and verbally, of all circumstances and measures that were relevant to the company. The Management Board fulfilled its information obligations to an appropriate extent at all times.

At our plenary meetings and in our committees, we always had ample opportunity to critically appraise the reports and proposals submitted by the Management Board and to contribute our own suggestions. We discussed and tested the plausibility of all business occurrences of significance to the company, as communicated to us by the Management Board in written and verbal reports, in detail. Where required by law or the Articles of Association, we granted our consent to individual business transactions.

Meetings of Supervisory Board and Committees in the 2021 Fiscal Year

Member	Supervisory Board	Audit Committee	Executive and Nomination Committee	Finance Committee	Participation rate in %
Jürgen Fitschen	13/13	–	5/5	6/6	100
Burkhard Ulrich Drescher	13/13	5/6	–	–	95
Vitus Eckert	13/13	6/6	–	–	100
Prof. Dr. Edgar Ernst	13/13	6/6	–	–	100
Dr. Florian Funck	13/13	6/6	–	–	100
Dr. Ute Geipel-Faber	13/13	–	–	6/6	100
Daniel F. Just	12/13	–	–	6/6	95
Hildegard Müller	13/13	–	5/5	–	100
Prof. Dr. Klaus Rauscher	13/13	–	5/5	–	100
Dr. Ariane Reinhart	12/13	–	5/5	–	94
Clara-Christina Streit	12/13	–	5/5	6/6	96
Christian Ulbrich	13/13	–	–	6/6	100

Cooperation Between the Management Board and the Supervisory Board

In the last fiscal year, our Supervisory Board consisted of twelve members. We were on hand to support the Management Board in the various meetings held and also in its key decisions. We also kept a close eye on the company's business development outside of meetings. The Management Board regularly informed us about key events and the company's strategic direction as part of a collaboration based on trust.

As Chairman of the Supervisory Board, I maintained regular and close dialogue with the Chairman of the Management Board in particular, but also with the other Management Board members, even outside of the Supervisory Board meetings. The employee representative bodies were involved in communications on key company matters via the Management Board. The Chairman of the Management Board informed me on company-related topics emerging from the Management Board's discussions with representatives of the Group works council, going into an appropriate level of detail. The Chairman of the Management Board also reported on the continued very good and constructive cooperation between the works council and the Management Board in dealing with the challenges created by the coronavirus pandemic. Other members of the Supervisory Board were notified of any important findings promptly, or at the latest by the next board meeting. In the fiscal year, there were no conflicts of interest of Management Board or Supervisory Board members, which are to be reported immediately to the Supervisory Board.

Main Remit

In line with the duties assigned to the Supervisory Board by law, the Articles of Association and the rules of procedure, we once again closely scrutinized the Group's operational, economic and strategic progress in the 2021 fiscal year. The key focal points were investments in residential real estate portfolios in light of the impact of the pandemic, neighborhood development and the undertaking of investments in new homes, the exploitation of opportunities resulting from digitalization, the portfolio strategy, internationalization and the evaluation and provision of support with regard to opportunities for further portfolio expansion, which, in particular, was achieved through the Deutsche Wohnen transaction.

We also engage with current governance topics. At a further training session held on December 8, 2021 we addressed the new regulatory requirements for the preparation of the remuneration report pursuant to Section 162 of the German Stock Corporation Act (AktG). They came into force under German law in the course of the implementation of the Second European Shareholders' Rights Directive (ARUG II). Alongside legal aspects, we also considered the expectations of investors.

In addition, we took an in-depth look at the future management structure and the succession plan for the Management Board. The personnel changes in the Management and Supervisory Boards, as stipulated in the business combination agreement (BCA) between Vonovia and Deutsche Wohnen, were the subject of detailed discussions on the continued development of these bodies.

Meetings

The pandemic meant that only one meeting of the Supervisory Board was held as a face-to-face event in the 2021 fiscal year. All other meetings were held via video conference.

The Supervisory Board met a total of thirteen times to consult and pass resolutions – once in a face-to-face meeting in September and twelve times by means of video conference (March, April, May, July, August, September, November and December). The Supervisory Board made decisions in a written procedure on eight occasions (January, July, August and December). Any individual members absent from the thirteen meetings had always been excused.

Participation in the thirteen Supervisory Board meetings averaged 98% in the 2021 fiscal year. No member of the Supervisory Board took part in less than half of the meetings during their term of office. The same applies to the committees. In preparation for the meetings, the Management Board submitted timely, comprehensive and valid written reports and resolution proposals to us.

Information on the Individual Meetings and Their Content as well as Written Resolutions

Given the risks associated with coronavirus infections, the Supervisory Board approved the Management Board's decision to hold the Annual General Meeting as a virtual event on April 16, 2021 in order to protect all attendees in a written procedure on January 22, 2021.

On **March 3, 2021** the Supervisory Board met to adopt the balance sheet. It approved the company's annual and consolidated financial statements as of December 31, 2020. The agenda and the resolution proposals for the Annual General Meeting were discussed and adopted. The Supervisory Board approved the proposal for the appropriation of profit to be made to the Annual General Meeting as well as the proposal that the dividend be paid either in cash or in the form of shares. Furthermore, the Supervisory Board approved the Non-financial Declaration and decided to engage KPMG to review the NFE Report for the 2021 fiscal year, as well as the 2021 ESG reporting and the 2021 Sustainability Report. The consultations continued to focus on the reports submitted by the Management Board members on the course of business in individual segments.

Under the "HR-related matters" agenda item, the Supervisory Board discussed remuneration issues relating to the Management Board (including target agreements, short-term and long-term incentive plans, the target achievement level under the 2020 short-term incentive plan, payment of the 2017 long-term incentive plan tranche) and passed corresponding resolutions. The Supervisory Board also examined the remuneration system for the Management and Supervisory Boards, focusing in particular on the structure of the targets for the Management Board. Once decided upon, the remuneration system was submitted to the Annual General Meeting in April 2021, where it was approved.

In a video conference held on **April 15, 2021** the Supervisory Board approved the fundamental resolution of the Management Board on the partial use of authorized capital 2018 in connection with the scrip dividend and transferred to the Finance Committee the powers required to take further steps. The Management Board continued to provide information on the impact of the ruling of the German Federal Constitutional Court on the invalidity of the Berlin rent freeze and, in this context, the waiving of rental back payments granted to Vonovia tenants by the Management Board. We consulted with the Management Board on potential measures to support the dialogue with various stakeholders in Berlin.

At a video conference held on **May 21, 2021** the Management Board informed the Supervisory Board of its intention to start negotiations with the Management Board of Deutsche Wohnen SE concerning the possible submission of a takeover offer to the shareholders of Deutsche Wohnen SE. The Management Board presented the options for a potential transaction against the backdrop of the political, social and legal conditions in Berlin. Following an in-depth discussion with the Management Board members taking into account the risks and opportunities of such a transaction, as well as internal consultations, the Supervisory Board approved the measures proposed by the Management Board regarding the preparation of the transaction under consideration. The potential personnel changes arising from the transaction under consideration were discussed, along with changes to Management Board responsibilities, in separate consultations within the Supervisory Board.

In a video conference on **May 24, 2021** the Management Board reported on the negotiations conducted with the senior management of Deutsche Wohnen SE in Berlin over the Pentecost weekend relating to the proposed takeover offer to Deutsche Wohnen SE shareholders. Detailed discussions were held within the Supervisory Board on the underlying structures of the transaction, the conditions prevailing in the political environment and, in the context of a takeover of the real estate company Deutsche Wohnen, the agreement discussed with the Governing Mayor of Berlin concerning the possible purchase of 20,000 thousand residential units by the State of Berlin. The consultations also centered on the main issues of the transaction as agreed in a business combination agreement (BCA). The personnel changes relevant to the composition of the Management and Supervisory Boards were discussed separately by the Supervisory Board.

Following extensive discussions, the Supervisory Board granted consent to the Management Board to carry out the proposed measures that were required for the conclusion of the BCA and the preparation of the takeover offer to the shareholders of Deutsche Wohnen. The Supervisory Board transferred the power to grant consent to further measures to the Finance Committee.

On the recommendation of the Executive and Nomination Committee on July 9, 2021 the Supervisory Board decided via a written procedure on **July 16, 2021** to reappoint Mr. Arnd Fittkau as a member of the Management Board effective as of the end of the 2022 Annual General Meeting and until May 31, 2027.

In another written procedure on **July 16, 2021** the Supervisory Board also approved a credit line increase to € 3 billion and a three-year extension of the term, as well as an increase in the Commercial Paper Program to € 3 billion.

In a video conference on **July 25, 2021** the Management Board informed us of the background factors that led to the 50% acceptance rate of Deutsche Wohnen shareholders not being met. In particular, discussions focused on the influence of hedge funds with significant investments in Deutsche Wohnen, as well as on index funds, which could only accept the offer once the closing condition had been met. The Supervisory Board resolved to authorize the Management Board to purchase shares and/or instruments in Deutsche Wohnen up to a total shareholding of less than 30% and a purchase price that does not exceed € 52.00 per share. In addition, it granted approval for the taking out of bridge financing up to € 1.5 billion.

In the video conference on **July 30, 2021** the Supervisory Board considered the alternative scenarios proposed by the Management Board with respect to the intended Deutsche Wohnen transaction and discussed, within the Supervisory Board, the strategic options in detail. We also consented to the Management Board starting negotiations with the senior management of Deutsche Wohnen with a view to concluding a BCA and submitting a new takeover offer to the shareholders of Deutsche Wohnen.

As the final decisions were subject to the approval of the Supervisory Board, the Management Board informed us of the results of the final negotiations in a video conference on **August 1, 2021**. Our extensive consultations resulted in the approval of the Supervisory Board for the resolution drafted by the Management Board on the conclusion of the BCA and the initiation of a voluntary public takeover offer to the shareholders of Deutsche Wohnen, as well as all measures necessary to implement the transaction.

In a written procedure on **August 4, 2021** we approved the Management Board resolution on the integration of the Vonovia new construction department and the urban development and land management department within the Development division, thereby transferring responsibility from the CEO executive division to the CDO executive division.

We approved the issuance of up to € 5 billion as part of the EMTN program, with a weighted average maturity of at least eight years, by way of a written procedure on **August 22, 2021**.

The Management and Supervisory Boards consulted on the corporate strategy at a face-to-face meeting on **September 2, 2021**. We discussed the trend areas and future theories derived from societal megatrends and encouraged the Management Board to continue pursuing the key areas for action identified in order to safeguard the adaptability and innovative ability of the company going forward and to safeguard a stable future for Vonovia. The Management Board continued to keep us updated on the status of the Deutsche Wohnen transaction. We delegated necessary Supervisory Board approvals in the context of further implementation-related measures to the Finance Committee. The Supervisory Board also discussed personnel matters relating to the Management and Supervisory Boards.

In the video conference held on **November 21, 2021** we approved the Management Board's capital increase resolution of November 21, 2021 in connection with the Deutsche Wohnen transaction following extensive consultation and careful consideration. This resolution proposed that the share capital be increased by € 201,304,062 and that the new shares be offered to shareholders in a ratio of 20:7 and at a subscription price of € 40 per share.

In a written procedure on **December 1, 2021** the Supervisory Board determined that the Declaration of Conformity published in the previous year remained accurate and should be issued again in this version.

In a video conference on **December 8, 2021** we discussed the 2022 budget. Following detailed consultations, we approved the Management Board's budget planning for the 2022 fiscal year and also discussed the five-year planning. The Management Board informed us of the operating business performance in the individual segments, financial performance and capital market performance.

We followed the recommendation of the Audit Committee by deciding to nominate the auditors PricewaterhouseCoopers GmbH (PwC) to the Annual General Meeting for election as the auditors of the annual and consolidated financial statements for the 2023 fiscal year.

In our consultations on personnel matters, we decided on the corporate targets for the 2022 fiscal year within the short-term incentive plan (STIP) component of Management Board remuneration and set the targets for Management Board members in the 2022–2025 performance period of the long-term incentive plan (LTIP). In our deliberations on Management Board remuneration, we determined that the amounts concerned are in line with standard market levels and therefore appropriate.

We discussed in detail the Management Board appointments and executive division modifications stated in the BCA and appointed Helene von Roeder as a Management Board member (for the Digitalization & Innovation executive divisions) for three years starting on January 1, 2022. We appointed Philip Grosse as a Management Board member (CFO, Chief Financial Officer) with effect from January 1, 2022, for a period of three years. The Supervisory Board offered the CEO of Deutsche Wohnen SE, Michael Zahn, the position of Deputy CEO of Vonovia SE; he did not accept the offer.

We conducted more detailed deliberations on the transaction-related changes in the Management and Supervisory Boards in the video conferences on **December 10, 2021** and **December 20, 2021** and took decisions on individual personnel matters in circular resolutions on **December 10, 2021** and **December 12, 2021**. In these deliberations, we also closely examined the structures within the governing bodies, the executive department responsibilities, the skill sets of individual members and the further development and succession planning for the Management and Supervisory Boards.

With respect to the appropriateness of Supervisory Board remuneration, deliberations within the Supervisory Board, taking into account a market analysis carried out by an independent remuneration consultant, came to the conclusion that this remuneration, which had not been adjusted since 2013, no longer reflects the increased demands placed on Supervisory Board members. With a view to ensuring that highly qualified candidates can still be attracted to the Supervisory Board in the future, it is intended that an adjustment commensurate with the market be proposed to the Annual General Meeting on the basis of a remuneration proposal.

Duties of the Committees

The Supervisory Board made use of the existing committees (Audit Committee, Finance Committee and Executive and Nomination Committee) to effectively perform its work. The committees prepare subjects which are to be discussed and/or resolved by the Supervisory Board. In addition, the committees passed further resolutions that we had delegated to them instead of passing them on the Supervisory Board as a whole.

In addition to regular dialogue between the Audit Committee and the auditors at the quarterly meeting, there is also regular communication between the Chairman of the Audit Committee and the auditors, particularly before the quarterly meetings of the Audit Committee.

Audit Committee

The Audit Committee had four members in the reporting year. The Chairman was Prof. Dr. Edgar Ernst. The other members were Burkhard Drescher, Vitus Eckert and Dr. Florian Funck. In 2021, the Audit Committee met five times (March, May, August, November and December). The Audit Committee made decisions using the written procedure in two cases (August and October).

At the video conference held on **March 3, 2021** the Committee reviewed the annual and consolidated financial statements as of December 31, 2020, as well as the combined management report for the 2020 fiscal year. The Committee's review took account of both the company's reports and the reports prepared by the auditor KPMG. The auditor considered the main points of the audit of the consolidated financial statements to be the valuation of investment properties located in Germany and Austria and the value of goodwill. The Audit Committee drew up a proposal for the appropriation of profit and developed a recommendation for a resolution to be submitted to the Supervisory Board regarding the adoption of the annual financial statements. The Committee developed a proposal for the selection of an auditor for the 2021 fiscal year and for this auditor's appointment as the auditor responsible for the audit of the condensed consolidated interim financial statements and interim Group management reports. KPMG provided information on the audit certificate issued for the Non-financial Declaration (NFD). The Committee also examined the 2020 annual report of Internal Audit. The Committee recommended that the Supervisory Board approve the Non-financial Declaration. Other topics of discussion included the compliance report and the Internal Audit status report, which confirmed the effectiveness of the internal control system (ICS), among other things.

In a conference call on **May 3, 2021** the Audit Committee looked at the condensed consolidated interim financial statements as of March 31, 2021. It discussed the company's report and the auditor's report. Against the backdrop of legal regulations concerning the maximum tenure of the auditors, the Audit Committee decided to launch a public call for tenders with respect to the audit of the annual and consolidated financial statements for the 2023 fiscal year and initiate a selection procedure. The Management Board has been tasked with planning and carrying out the selection procedure. The Committee also took an in-depth look at the risk management and compliance reports, as well as the Internal Audit status report. The consultations also considered the report on the company's tax position and the status of the ongoing company audits.

At its video conference **held on August 5, 2021** the Committee approved the consolidated interim financial statements as of June 30, 2021 and passed a resolution on the commissioning of KPMG AG Wirtschaftsprüfungsgesellschaft to audit the annual and consolidated financial statements as of December 31, 2021. Other topics included the Internal Audit and compliance management status reports. The Audit Committee also discussed relevant provisions of the German Financial Market Integrity Strengthening Act (FISG).

In a written procedure on **August 13, 2021** the Audit Committee approved the tender process, selection criteria and time procedure for selecting an auditor as proposed by the Management Board, as well as the corresponding guidelines.

In a written procedure on **October 25, 2021** the Audit Committee approved non-audit processes following the introduction of the multi-stage PIE group.

In the video conference held on **November 3, 2021** the Audit Committee discussed the condensed consolidated interim financial statements as of September 30, 2021 along with the corresponding reports prepared by the company and the auditor. It looked at the preliminary results of the property valuation, risk management, the compliance report and the report on the major legal disputes. It also discussed the report prepared by the Internal Audit department on the status of its audits and set the audit plan for the Internal Audit department for the 2022 fiscal year.

On **November 16, 2021** a face-to-face meeting of the Audit Committee was held as part of the auditor selection process. Two audit firms presented their services and the terms of engagement. In a video conference on December 3, 2021 the members of the Audit Committee discussed the results of the selection procedure and took the decision to recommend the audit firm PricewaterhouseCoopers GmbH (PwC) to the Supervisory Board for nomination to the Annual General Meeting as the auditors for 2023.

Finance Committee

In 2021, the Finance Committee consisted of five members. The Chairperson was Clara-Christina Streit. The other members were Jürgen Fitschen, Dr. Ute Geipel-Faber, Daniel Just and Christian Ulbrich. In the reporting year, the Finance Committee met six times by video conference (March, April, May, July and November) and took decisions by written procedure on three occasions (May, July, September). The Finance Committee had been previously authorized by the Supervisory Board to make all decisions on matters outside the scope of the topics for which it is generally responsible.

In the video conference on **March 3, 2021** the Management Board provided information on the current financing status of the company. Following a detailed discussion of the RCF (revolving credit facility) and the commercial paper program, the Finance Committee decided to recommend to the Supervisory Board that it approve an increase in the (RCF) credit line to € 2 billion and an increase in the volume of the commercial paper program to € 2 billion.

In a video conference on **April 16, 2021** the Finance Committee approved the fundamental resolution of the Management Board on the partial use of authorized capital 2018 in connection with the 2021 scrip dividend and, by written procedure on May 14, 2021 granted its consent to the Management Board's more detailed resolution on the performance of the non-cash capital increase.

In a video conference on **May 12, 2021** the Management Board informed the Finance Committee of its fundamental and current considerations regarding the ongoing development of the company in terms of consolidation opportunities and acquisition opportunities on the residential property market.

In a video conference on **May 21, 2021** the Management Board informed the Finance Committee of its intention to prepare a potential takeover offer for the shareholders of Deutsche Wohnen SE. The Management Board presented the options for a possible transaction. Following an extensive discussion of the underlying economic, tax-related and financing conditions, as well as an evaluation of the risks and opportunities, the Finance Committee decided to recommend to the Supervisory Board that it approve the preparatory measures outlined by the Management Board with respect to the transaction under consideration.

By way of a written procedure, the Finance Committee recommended on **July 8, 2021** that the RCF credit line and the volume of the commercial paper program both be increased to € 3 billion in the context of the Deutsche Wohnen transaction.

In a video conference on **July 25, 2021** the Management Board outlined to the Finance Committee the reasons why the acceptance threshold of 50% of Deutsche Wohnen shares was not reached. The discussions focused not only on the shareholder structure of Deutsche Wohnen, but also the requirements of the index funds concerning the timing of a potential takeover bid. The Finance Committee approved the recommendation to the Supervisory Board to authorize the Management Board to acquire Deutsche Wohnen shares and to conclude bridge financing of up to € 1.5 billion.

In a written procedure on **September 13, 2021** the Finance Committee approved the proposed Management Board resolution of September 8, 2021 regarding the sale of a residential real estate portfolio to public housing companies of the State of Berlin as part of the "Future and Social Pact for Housing," agreed in connection with the Deutsche Wohnen transaction.

In a video conference on **November 16, 2021** the Management Board provided the Finance Committee with an update on the current financing status of the company.

Executive and Nomination Committee

In the fiscal year under review, the Executive and Nomination Committee consisted of five members. The Committee was headed up by Jürgen Fitschen as Chairman of the Supervisory Board. The other members were Hildegard Müller, Prof. Dr. Klaus Rauscher, Dr. Ariane Reinhart and Clara-Christina Streit. The Executive and Nomination Committee met four times by video conference in 2021 (February, July, November and December). The Committee made one decision by written procedure.

In a video conference on **February 23, 2021** the Committee discussed and approved the target attainment of the 2020 short-term incentive plan and the payout of the long-term incentive plan tranche 2017 and recommended to the Supervisory Board that it pay out the amounts calculated. The Executive Committee also discussed the structure of the individual targets within the short-term incentive plan (STI) and recommended an amended regulation within the Management Board remuneration system.

In a written procedure, the Executive Committee approved the membership of Rolf Buch in the Supervisory Board and Shareholder Board of Apleona GmbH on **May 10, 2021**.

In a video conference on **July 9, 2021** the members of the Executive Committee discussed Management and Supervisory Board personnel matters in connection with the Deutsche Wohnen transaction. The Executive Committee also recommended to the Supervisory Board that it reappoint Arnd Fittkau as a member of the Management Board.

In the video conference held on **November 15, 2021** the Executive Committee considered the review of the appropriateness of Management Board remuneration and, considering market data, concluded that this remuneration is appropriate. A recommendation to this effect was then submitted to the Supervisory Board for confirmation.

In the video conference held by the Executive Committee on **December 6, 2021** the Committee members discussed the setting of corporate targets within the 2022 short-term incentive plan (STIP) and the long-term incentive plan (LTIP 2022–2025), issuing recommendations to the Supervisory Board. The Committee also discussed and made recommendations regarding Management Board appointments and the allocation of executive responsibility following completion of the Deutsche Wohnen transaction. The Committee also deliberated on governance-related topics, including diversity within governing bodies.

In a video conference on **December 19, 2021** the Executive Committee drew up a proposal on the adjustment of Supervisory Board remuneration, the aim being to safeguard the expected quality within the Supervisory Board in the future. Resolutions were also recommended with respect to formal Management Board issues. The Supervisory Board members also discussed the options for implementing the inclusion of two members in the Supervisory Board, as stipulated in the BCA.

Corporate Governance

The Management Board and Supervisory Board of Vonovia SE are committed to the principles of good corporate governance. As a result, the members of the Supervisory Board once again looked at the German Corporate Governance Code in the reporting year. On December 1, 2021 the Management Board and the Supervisory Board issued a Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act (AktG). The Management Board also reports, including on behalf of the Supervisory Board, on corporate governance at Vonovia in the declaration on corporate governance. Both declarations will be permanently published by the company on its website for perusal.

Audit

After being appointed at the Annual General Meeting on April 16, 2021 to audit financial statements for the 2021 fiscal year, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, has duly audited the annual financial statements and consolidated financial statements of Vonovia SE as of December 31, 2021 and the combined management report for the 2021 fiscal year and has expressed an unqualified opinion thereon. In accordance with German statutory law, the Non-financial Declaration, which is included in a separate section of the combined management report, was not reviewed by the auditor. In accordance with Section 317 (4) of the German Commercial Code (HGB), KPMG also assessed the risk early warning system of Vonovia SE.

The auditor has affirmed its independence to the Chairman of the Audit Committee and duly declared that no circumstances exist that could give grounds for assuming a lack of impartiality on its part. The audit assignment was awarded to KPMG AG Wirtschaftsprüfungsgesellschaft by the Chairman of the Audit Committee in line with the Committee's resolution and the choice of auditor made by the shareholders at the Annual General Meeting.

The annual financial statements were prepared by the Management Board in accordance with the German commercial law and stock corporation law provisions, including the generally accepted accounting practice. The consolidated financial statements were prepared by the Management Board in accordance with the International Financial Reporting Standards (IFRS), as applied in the European Union, as well as the supplementary provisions applicable pursuant to Section 315e (1) HGB.

For the annual financial statements and the consolidated financial statements, Vonovia SE prepared a combined management report based on the requirements set out in Sections 315, 298 (2) HGB.

Every member of the Supervisory Board received copies of the annual financial statements, the consolidated financial statements, the combined management report and the auditor's report in good time. On the basis of the preliminary examination and assessment by the Audit Committee, about which the Audit Committee Chairman reported to the Supervisory Board, the Supervisory Board has scrutinized in detail the annual financial statements, consolidated financial statements and combined management report of Vonovia SE for the 2021 fiscal year, and also considered the Management Board's proposal for the appropriation of profit. With regard to the Non-financial Declaration to be published pursuant to the CSR Directive Implementation Act, the Supervisory Board complied with its review obligation.

At the joint meeting on March 17, 2022 with the Audit Committee, and at the subsequent Supervisory Board meeting held on the same day, the auditors reported both on their findings including the strategic audit objectives and key audit matters. The strategic audit objectives and the key audit matters set out in the auditor's report had been defined by the auditor within the context of his independent mandate in the second half of 2021, and had already been discussed and agreed upon with the Audit Committee in advance.

In the 2021 fiscal year, with regard to the consolidated financial statements, particularly key audit matters included the value of goodwill and the valuation of investment properties.

The auditors gave detailed answers to our questions. After an in-depth review of all documentation, we found no grounds for objection. As a result, we concurred with the auditors' findings. On March 17, 2022, we followed the Audit Committee's recommendation and approved the annual financial statements and consolidated financial statements of Vonovia SE, as well as the combined management report. The annual financial statements are thus duly adopted.

Dividend

The Supervisory Board considered the Management Board's proposal for the appropriation of profit. It gave particular consideration to the liquidity of the company / the Group, tax-related aspects and financial and investment planning. Following its audit, the Supervisory Board agrees with the proposal set out by the Management Board to be made to the Annual General Meeting, namely the proposal that, from the profit for the 2021 fiscal year, a dividend of € 1.66 per share or € 1,289,151,665.74 in total on the shares of the share capital as of December 31, 2021 be paid to the shareholders, and the remaining amount 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 that go beyond those as of December 31, 2021.

The dividend will be paid either in cash or in the form of shares in the company. The shareholders' right to opt for a scrip dividend paid out in shares is communicated separately in a timely manner together with other information, particularly on the number and type of shares.

Personnel

Apart from the reappointment of Helene von Roeder as Management Board member, with new responsibility for Digitalization & Innovation, and the appointment of Philip Grosse as Management Board member (CFO), both with effect from January 1, 2022, there were no staff changes within the company's management team during the reporting period.

Concluding Remarks

We would like to thank the Management Board for its successful management of the company in the challenging pandemic year of 2021. We also want to thank the company's employees for the particular commitment shown by them in difficult pandemic conditions. We would like to thank the employee representative bodies for another year of constructive collaboration.

Bochum, Germany, March 17, 2022

On behalf of the Supervisory Board

Jürgen Fitschen

Management Board

The Management Board of Vonovia SE consisted of four members as of December 31, 2021. In 2022, the Management Board will be expanded to include five members.

Rolf Buch
Chairman of the Management Board (CEO)

As Chief Executive Officer (CEO), Rolf Buch was responsible for transactions, Value-add, general counsel, investor relations, IT, HR management, auditing, corporate communications and sustainability/strategy in 2021.

In the future, Rolf Buch will be responsible for transactions, general counsel, investor relations, HR management, auditing, corporate communications, sustainability/strategy and healthcare.

Rolf Buch joined the company in 2013 and led Vonovia to its listing on the stock exchange. Prior to his move to the company, he spent 22 years in various leadership positions at Bertelsmann, ultimately as a Management Board member at Bertelsmann SE and Chairman of the Management Board at Arvato AG. He is a member of the executive board of the German Association of German Housing and Real Estate Companies (GdW), vice president of the German central real estate committee Zentraler Immobilien Ausschuss (ZIA) and the German Association for Housing, Urban and Spatial Development, and member of the Board of the European Public Real Estate Association (EPRA) in Brussels. He studied mechanical engineering and business management at RWTH Aachen University.

Arnd Fittkau
Member of the Management Board

In his role as Chief Rental Officer (CRO), Arnd Fittkau is responsible for the property management business in the North, East, South and West business areas, as well as for customer service and portfolio and tenant management.

Following completion of a management training program at MAN Gutehoffnungshütte AG (1992–1996), Arnd Fittkau started his career in various controlling functions. After holding positions at MAN AG in Munich and Hochtief AG in Essen, he joined the company now known as Vonovia in 2002. He spent three years as Head of Controlling for the GAGFAH Group starting in 2005. Since 2008, Arnd Fittkau has held several managing directorships at Vonovia subsidiaries in various locations such as Bochum, Munich, Frankfurt and Gelsenkirchen. Most recently, he held the position of chief representative of Vonovia SE from the beginning of March 2018 and chaired the regional management teams.

Philip Grosse
Member of the Management Board (as of January 1, 2022)

Effective January 1, 2022, Philip Grosse is responsible, in his role as Chief Financial Officer (CFO), for accounting, controlling, finance, valuation & portfolio controlling as well as taxes.

After studying business management at the Universities of Würzburg and Swansea, Philip Grosse started his career in investment banking, most recently as Head of Equity Capital Markets for Germany and Austria at Credit Suisse. From 2013 onwards, Philip Grosse held managerial positions in corporate finance and investor relations at Deutsche Wohnen SE, being appointed to the Management Board as CFO in 2016.

Rolf Buch and Philip Grosse are jointly responsible for the executive division charged with the integration of Deutsche Wohnen.

Daniel Riedl
Member of the Management Board

In his role as Chief Development Officer (CDO), Daniel Riedl is responsible for the development business in Austria, development in Germany and the operating business in Austria.

Daniel Riedl is a graduate in business administration from Vienna University of Economics and Business and a Fellow of the Royal Institution of Chartered Surveyors. Daniel Riedl has more than 20 years' experience in property management, more than 13 of them at Management Board level. He served on the Executive Board of IMMOFINANZ AG from 2008 to 2014. He led BUWOG AG to a successful stock exchange listing in April 2014 and was the company's CEO until its delisting at the end of 2018.

Helene von Roeder
Member of the Management Board

Helene von Roeder has held the position of Chief Financial Officer (CFO) on the Management Board of Vonovia SE since May 2018 and was responsible for controlling, finance, accounting, tax, property evaluation, central purchasing, insurance and Immobilien Treuhand in 2021.

Starting January 1, 2022, Helene von Roeder is responsible for the new Innovation and Digitalization executive division as Chief Transformation Officer (CTO), including the areas Value-add (incl. insurance), IT and purchasing as well as condominium administration and the management of properties for third parties.

She is a member of the Government Commission on the German Corporate Governance Code. Before being appointed to the Management Board of Vonovia SE, she headed Credit Suisse's business in Germany, Austria and Central and Eastern Europe (CEE) as CEO Germany from 2014. She began her career at Deutsche Bank in London in 1995 after studying theoretical physics in Munich and theoretical astrophysics in Cambridge. She worked for UBS AG in Frankfurt and London from 2000 to 2004, before moving to Morgan Stanley Bank AG in Frankfurt, where her most recent role was Head of Global Capital Markets for Germany and Austria, Member of the Management Board of Morgan Stanley Bank AG.

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

Prof. Dr. Edgar Ernst
Deputy Chairman
Self-employed management consultant

Burkhard Ulrich Drescher
Managing Director of Innovation City Management GmbH

Vitus Eckert
Attorney, Partner in Wess Kux Kispert & Eckert Rechtsanwalts GmbH

Dr. Florian Funck
Member of the Management Board of Franz Haniel & Cie. GmbH

Dr. Ute Geipel-Faber
Self-employed management consultant

Daniel Just
Chairman of Bayerische Versorgungskammer

Hildegard Müller
President of the German Association of the Automotive Industry (VDA)

Prof. Dr. Klaus Rauscher
Self-employed management consultant

Dr. Ariane Reinhart
Member of the Management Board of Continental AG

Clara-Christina Streit
Self-employed management consultant

Christian Ulbrich
President and Chief Executive Officer Jones Lang LaSalle Incorporated

Supervisory Board Committees

Executive and Nomination Committee
Jürgen Fitschen, Chairman
Hildegard Müller
Prof. Dr. Klaus Rauscher
Dr. Ariane Reinhart
Clara-Christina Streit

Audit Committee
Prof. Dr. Edgar Ernst, Chairman
Burkhard Ulrich Drescher
Vitus Eckert
Dr. Florian Funck

Finance Committee
Clara-Christina Streit, Chairwoman
Dr. Ute Geipel-Faber
Jürgen Fitschen
Daniel Just
Christian Ulbrich

Corporate Governance

In the corporate governance declaration (also known as the Corporate Governance Report), we report on the principles of management and corporate governance for the last fiscal year in accordance with Sections 289f and 315d of the German Commercial Code (HGB) and Principle 22 of the German Corporate Governance Code (GCGC, in the current version published on December 16, 2019).

The declaration contains the Declaration of Conformity, information on corporate governance practices, a description of how the Management Board and Supervisory Board work and key corporate governance structures. The declaration is also available to the public on **our website**. Pursuant to Section 317 (2) (6) HGB, the disclosures pursuant to Sections 289f and 315d HGB are not included in the audit performed by the auditor of the annual financial statements.

Fundamental Information

Fundamental Understanding

Nowadays, successful corporate activity is characterized first and foremost by the acceptance of the business model by all relevant stakeholders, be they customers, civil society and the general public, investors or business partners. The integrity of management actions and the sustainability of the business model, along with the perception of social responsibility, are playing an increasingly decisive role in this regard. This applies no less to the real estate sector.

Any misconduct by a company's management also tends to result in the corporate governance regulations being tightened up, as was recently the case with the Financial Market Integrity Strengthening Act (FISG) The government's stated aim is to use the FISG to ensure that confidence in the German financial market is strengthened. This objective is to be achieved, among other things, by introducing a statutory obligation to establish an appropriate and effective internal control system (ICS) as well as a corresponding risk management system (RMS) for listed stock corporations and by mandating the establishment of an audit committee for public interest entities. The aim is also to strengthen the impartiality of the auditor, to tighten up the rules governing the auditor's liability and to considerably expand the auditing powers granted to the Federal Financial Supervisory Authority (BaFin).

This is why, here at Vonovia, we see corporate governance as the responsible management and supervision of a company. The Management Board and the Supervisory Board have made a comprehensive commitment to the principles of corporate governance as set out in the German Corporate Governance Code and in the Code of Conduct of the Institute for Corporate Governance in the German Real Estate Industry.

Standards of Corporate Governance

These principles are the basis for the sustainable success of the company and therefore serve as guidelines for conduct in the company's daily management and business. Good corporate governance strengthens the trust of our shareholders, business associates, customers, employees and the general public in Vonovia SE. It increases the company's transparency and strengthens the credibility of our group of undertakings. With balanced corporate governance, the Management Board and the Supervisory Board wish to safeguard Vonovia SE's competitiveness, strengthen the trust of the capital market and the general public in the company and sustainably increase the company's value. Corporate governance, acting in accordance with the principles of responsible management aimed at increasing the value of the business on a sustainable basis, is an essential requirement for the Vonovia Group embracing all areas of the business.

As a major real estate company, we are aware of the particular significance of our entrepreneurial actions for society at large. As a result, we are committed not only to the general principles of corporate governance but also to all the main aims and principles of the Institute for Corporate Governance in the German Real Estate Industry, which we have been a member of since November 14, 2003. The institute supplements the corporate governance principles to include housing-specific aspects and is committed to even greater transparency, an improved image and a more competitive real estate sector.

Our corporate culture is founded on transparent reporting and corporate communications, on corporate governance aimed at the interests of all stakeholders, on fair and open dealings between the Management Board, the Supervisory Board and employees as well as on compliance with the law.

The Code of Conduct provides the ethical and legal framework within which we act and want to maintain a successful course for the company. The focus is on dealing fairly with each other but also in particular on dealing fairly with our customers, business partners and investors. The Code of Conduct specifies how we assume our ethical and legal responsibility as a company and is the expression of our company values.

Information on the Company's Governing Constitution

The designation Vonovia comprises Vonovia SE and its Group companies. Vonovia is a European company (SE) in accordance with the German Stock Corporation Act (AktG), the SE Act and the SE Regulation. Its registered headquarters are in Bochum. It has three governing bodies: the Annual General Meeting, the Supervisory Board and the Management Board. The duties and authority of those bodies derive from the SE Regulation (SE-VO), the German Stock Corporation Act (AktG) and the Articles of Association. Shareholders, as the owners of the company, exercise their rights at the Annual General Meeting.

According to the two-tier governance system, Vonovia SE has a Management Board and a Supervisory Board. In the two-tier governance system, the management of business and the monitoring of business are strictly separated from each other. The duties and responsibilities of these two bodies are clearly specified by law in the German Stock Corporation Act. In accordance with the governing laws, in particular the SE Regulation and the German SE Employee Participation Act (SEBG), the Supervisory Board is only made up of representatives of the shareholders. The highest representative body of the employees is the Group works council. An SE works council was also set up at the level of Vonovia SE.

The Management Board and Supervisory Board of a company listed in Germany are obliged by law (Section 161 of the German Stock Corporation Act) to report once a year on whether the officially published and relevant recommendations issued by the government commission German Corporate Governance Code, as valid at the date of the declaration, have been, and are being, complied with. Companies affected are also required to state which of the recommendations of the Code have not been, or will not be, applied and, if not, why. The most recent Declaration of Conformity is valid for at least the next five years and the Declarations of Conformity that are no longer valid can be found on the company's website.

The Management Board reports in its declaration, also on behalf of the Supervisory Board, on important aspects of corporate governance pursuant to Section 289f of the German Commercial Code (HGB) and Principle 22 of the German Corporate Governance Code (GCGC) 2020.

Declaration of Conformity to the GCGC Pursuant to Section 161 of the German Stock Corporation Act (AktG)

The Management Board and the Supervisory Board of Vonovia SE declare that, since the last declaration of conformity was made on November 30, 2020, the company has complied with the recommendations made by the "Government Commission on the German Corporate Governance Code" in the version published in the official section of the federal gazette by the German Federal Ministry of Justice on March 20, 2020 ("GCGC 2020") with the following restrictions and will continue to do so in the future.

Pursuant to G.13 sentence 1 GCGC 2020, any payments made to a Management Board member due to early termination of their Management Board activity shall not exceed twice the annual remuneration (severance cap) and shall not constitute remuneration for more than the remaining term of the employment contract. No. 4.2.3 (5) GCGC 2017 recommended that benefit commitments made in connection with the early termination of a Management Board member's activity due to a change of control did not exceed 150% of the severance cap. The GCGC 2020 no longer contains any explicit recommendation for benefits resulting from a change of control. It is unclear whether the general recommendation made in G.13 sentence 1 GCGC 2020 on the severance amount applies in this regard. The existing Management Board employment contracts already largely comply with the recommendation set out in G.13 sentence 1 GCGC 2020. The Supervisory Board reserves the right, however, when contracts are extended or future contracts are concluded, to reach agreements that are consistent with the recommendation set out in No. 4.2.3 (5) GCGC 2017 to take account of interests relating to vested rights and the particular circumstances of the individual case. As a result, we declare as a precaution that the recommendation made in G.13 sentence 1 GCGC 2020 is not complied with.

Pursuant to G.13 sentence 2 GCGC 2020, if post-contractual non-competition clauses apply, the severance payments shall be taken into account in the calculation of any compensation payments. Even before the GCGC 2020 entered into force, post-contractual non-competition clauses were agreed with individual Management Board members. These do not provide for severance payments to be taken into account in the calculation of any compensation payments. When contracts are extended or future contracts are concluded, the Supervisory Board reserves the right, in the interests of flexibility or for reasons relating to vested rights, to make decisions on agreeing to take severance payments into account in the calculation of any compensation payments on a case-by-case basis. As a result, we declare that the recommendation made in G.13 sentence 2 GCGC 2020 is not complied with.

Shareholders and Annual General Meeting

Shareholder Information: Shareholders can obtain full and timely information about our company on our website and can access current as well as historical company data. Among other information on its website, Vonovia regularly posts all financial reports, important information on the company's governing bodies (including resumes), its corporate governance documentation (declaration of conformity), information requiring ad hoc disclosure and press releases.

Directors' Dealings: Information on directors' dealings/managers' transactions notifiable pursuant to Article 19 of the Market Abuse Regulation is published by Vonovia without delay in accordance with the Regulation and is made available on the company's website, with information also being provided on the shares held by each member of the company's executive bodies.

Financial Calendar: Shareholders and interested members of the financial community can use the regularly updated financial calendar on the website to obtain information on publication, conference and information dates, roadshows and the timing of the Annual General Meeting early on.

Annual General Meeting and Voting: The Annual General Meeting decides in particular on the appropriation of profit, the ratification of the acts of the members of the Management Board and of the Supervisory Board, the appointment of the external auditor, amendments to the Articles of Association as well as specific capital measures and individually elects the shareholders' representatives to the Supervisory Board.

Our shareholders can exercise their voting rights at the meeting or instruct a proxy of their choice or one of the proxies provided for that purpose by the company. Our shareholders are also able to submit a postal vote. The details regarding the postal voting procedure are in the respective shareholder's invitation to the Annual General Meeting.

The entire documentation for the Annual General Meeting and opportunities to authorize, and issue instructions to, the company's proxies, as well as to submit a postal vote, are available to shareholders at all times on the Vonovia website.

Due to the coronavirus pandemic, the 2021 Annual General Meeting was held as a virtual event, as was the case in 2020. Vonovia believes that this concept has proven to be very successful. In the spirit of digitalization and sustainability, this Annual General Meeting format is considered to have future potential.

Remuneration Paid to Executive Bodies: The remuneration paid to the Management Board and the Supervisory Board has been set out in detail every year in the combined management report in line with the corporate governance requirements.

Going forward, and as a result of the "Act Implementing the Second Shareholders' Rights Directive" (ARUG II), the remuneration report will be published on Vonovia SE's website.

The basic principles of the remuneration system for Management Board members have to be approved by the Annual General Meeting. For this purpose, the Chairman of the Supervisory Board submitted the remuneration system, which had been enhanced in line with the German Stock Corporation Act (AktG) and the German Corporate Governance Code (GCGC), to the 2021 Annual General Meeting for approval, which was granted with 87.75% of the votes cast.

Supervisory Board

Duties and Responsibilities

The Supervisory Board appoints, supervises and advises the Management Board and is directly involved in decisions of fundamental importance to the company. The Supervisory Board performs its work in accordance with the legal provisions, the Articles of Association, its rules of procedure and its resolutions. It consists of twelve members, who were each elected for four fiscal years by the 2018 Annual General Meeting. The Supervisory Board continuously oversees the management and advises the Management Board.

The Supervisory Board examines and adopts the annual financial statements and the combined management report. It assesses and confirms the proposal for the appropriation of profit as well as the consolidated financial statements and the combined management report on the basis of the report prepared by the Audit Committee. The Supervisory Board reports in writing to the shareholders at the Annual General Meeting on the result of its examination.

The Chairman of the Supervisory Board is an independent member. The same applies to the chairs of the committees which the Supervisory Board has set up.

The Chairman of the Supervisory Board chairs the meetings and coordinates communications. The members of the Supervisory Board generally have the same rights and obligations. Supervisory Board resolutions are above all passed in the Supervisory Board meetings but also, if necessary, using the written procedure or by other communication means. At least two meetings are held every six months. In addition, if necessary and on the basis of the rules of procedure of the Supervisory Board, a meeting of the Supervisory Board or its committees can be convened at any time at the request of a member or the Management Board.

The Supervisory Board is composed in such a way that its members as a group have the knowledge, ability and specialist experience required to properly complete its tasks, and are all familiar with the real estate industry as the sector in which the company operates. At least one member of the Supervisory Board has expertise in the field of accounting and another member has expertise in the field of auditing.

Each Supervisory Board member shall ensure that he or she has enough time to carry out his or her mandate.

At the time at which this declaration was prepared, no Supervisory Board members exercised directorships or advisory tasks for important competitors of the company (see → **Conflicts of Interest**).

Supervisory Board Self-Assessment

The Supervisory Board performs regular efficiency reviews that are performed, in alternation, as self-evaluations using a written survey conducted among the members and with the involvement of an independent and experienced moderator in the form of personal interviews. The most recent regular evaluation, supported by a moderator and conducted in the fourth quarter of 2019, revealed that the Supervisory Board performs its work efficiently (see → **Report of the Supervisory Board**).

Supervisory Board Committees

The Supervisory Board sets up an Executive and Nomination Committee, an Audit Committee and a Finance Committee from among its members. Further committees are formed as required. Committees are made up of at least four members of the Supervisory Board (see Report of the Supervisory Board). The committees prepare subjects which are to be discussed and/or resolved by the Supervisory Board. In addition, they pass resolutions on behalf of the entire Supervisory Board. The basis for committee work was the transfer of tasks and responsibilities within the scope of the legal provisions.

The **Executive and Nomination Committee** is made up of the Chairman of the Supervisory Board and four other members to be elected by the Supervisory Board. The Chairman of the Supervisory Board is the Chairman of the Executive and Nomination Committee. The tasks of this committee are, in particular, to prepare the appointment of Management Board members and propose candidates for election as Supervisory Board members, to advise on the remuneration system, to assign responsibilities and to decide in cases of legal and loan transactions with members of the Management Board and conflicts of interest.

The Supervisory Board appoints one of the members of the **Audit Committee** as the Chairman of the Audit Committee. When electing the committee members, the Supervisory Board shall ensure that the Chairman of the Audit Committee has specialist knowledge and experience in the application of accounting principles and internal control processes. The Committee Chairman should be independent and not be a former member of the company's Management Board whose appointment ended less than two years before their appointment as Chairman of the Audit Committee. The chairman of the Supervisory Board shall not be the chairman of the Audit Committee. As a result of the FISG provisions, one committee member must have experience in accounting and the other in auditing. The Audit Committee handles, in particular, the monitoring of the accounting process, the effectiveness of the internal control system, risk management system and internal audit system, the audit of the annual financial statements and – unless another committee is entrusted therewith – compliance.

The Audit Committee prepares the resolutions of the Supervisory Board on the annual financial statements (and, if applicable, the consolidated financial statements), and, in place of the Supervisory Board, reaches the agreements with the auditor (in particular the issuing of the audit mandate to the auditor, the determination of strategic audit objectives and the fee agreement). The Audit Committee takes suitable action to assess and monitor the independence of the auditor and the audit quality. The Audit Committee also makes decisions on behalf of the Supervisory Board on the approval of contracts with auditors for non-assurance services.

The **Finance Committee** consists of the Supervisory Board Chairman or the latter's Deputy Chairman and four other members. The Finance Committee prepares the resolutions of the Supervisory Board on the following matters:

> Financing and investment principles, including the capital structure of the Group companies and dividend payments
> Principles of the acquisition and disposal policies, including the acquisition and disposal of individual shareholdings of strategic importance.

In place of the Supervisory Board, the Finance Committee adopts resolutions in particular on general guidelines and principles for the implementation of this financial strategy, including the handling of currency risks, interest, liquidity and other financial risks, the handling of credit risks and the implementation of external financing principles, and also on important transactions regarding the acquisition and disposal of properties and shares in companies as well as corporate financing.

The Management Board

Duties and Responsibilities

The Management Board members are jointly accountable for independently managing the company in the company's best interests while complying with the applicable laws and regulations, the Articles of Association and the rules of procedure. In doing so, they must take the interests of the shareholders, the employees and other stakeholders into account.

The Management Board is monitored and advised by the Supervisory Board. It has adopted the rules of procedure in consultation with the Supervisory Board. The Management Board has a chairman who coordinates the work of the Management Board and represents it in dealings with the Supervisory Board.

The Management Board informs the Supervisory Board regularly, in due time and comprehensively in line with the principles of diligent and faithful accounting in accordance with the law and the reporting duties specified by the Supervisory Board.

The Management Board develops the company's strategy, coordinates it with the Supervisory Board and implements it. It ensures that all statutory provisions and the company's internal policies are complied with. The Management Board also ensures appropriate risk management and risk controlling in the company.

It submits the corporate planning for the coming fiscal year to the Supervisory Board as well as the midterm and strategic planning. The Chairman of the Management Board informs the Supervisory Board Chairman without delay of important events that are essential for the assessment of the situation and the development of the company or for the management of the company as well as of any shortcomings that occur in the monitoring systems.

The Management Board requires the approval of the Supervisory Board for certain important transactions. Transactions and measures that require Supervisory Board approval are submitted in good time to the Supervisory Board, or to one of its committees where particular powers are delegated to them. The Management Board members are obliged to disclose any conflicts of interest to the Supervisory Board without delay and to inform the other Management Board members accordingly.

The Management Board members are subject to a comprehensive non-competition obligation. Management Board members may only take up sideline activities, in particular positions on supervisory boards outside the Group, with the approval of the Supervisory Board.

Important transactions between the company, on the one hand, and the Management Board members as well as persons they are close to or companies they have a personal association with, on the other, require the approval of the Supervisory Board. The internal procedure put in place by the Supervisory Board to evaluate these transactions is set out in the Report of the Supervisory Board.

Recruitment of Members of Executive Bodies

In accordance with the German Corporate Governance Code, the Supervisory Board and the Management Board must be composed in such a way that these bodies/their members as a group have the knowledge, ability and specialist experience required to properly complete their tasks. The requirements were extended and set out by law with the entry into force of the CSR Directive Implementation Act. The Supervisory Board has adopted the following criteria and objectives for recruiting individuals to the Management and Supervisory Boards, taking the above-mentioned requirements into account:

Recruitment of Members of the Supervisory Board

Composition: As a listed company that is not subject to codetermination, the Supervisory Board of Vonovia SE is to include twelve members, an appropriate number of whom are to be independent within the meaning of the Code. All members should have sufficient time available to perform the duties associated with their mandate with due regularity and care.

When proposing candidates to fill new Supervisory Board positions to the Annual General Meeting, the Supervisory Board should have performed an extensive review to ensure that the candidates standing for election meet the corresponding professional and personal requirements (see below) and must disclose the candidates' personal and business-related relationships with the company, the governing bodies of the company and any shareholders with a material interest in the company. Shareholders are deemed to hold a material interest if they hold more than 10% of the voting shares in the company, either directly or indirectly.

Other general criteria, and criteria defined in the GCGC that applied in the fiscal year under review, governing composition include:

> No more than two former members of the Management Board shall be members of the Supervisory Board.
> Supervisory Board members shall not exercise directorships or similar positions or advisory tasks for important competitors of the company.
> If a (designated) member belongs to the management board of a listed company, this member shall not accept more than a total of two supervisory board mandates in non-Group listed companies or on supervisory bodies of non-Group entities that make similar requirements.
> The standard limit for length of membership on the Supervisory Board has been set at a maximum of 15 years.
> The age limit has been set at 75 at the time of election to the Supervisory Board.

Skills profile: The Supervisory Board of Vonovia SE should be composed so as to ensure qualified supervision of, and provision of advice to, the Management Board. The candidates nominated for election to the Supervisory Board should be able, on the basis of their knowledge, skills and professional experience, to perform the duties of a Supervisory Board member of a listed real estate company that is active on the international capital market. In terms of their personality, the candidates nominated for election should show integrity, professionalism and commitment. The aim is to ensure that the Supervisory Board as a whole offers all of the knowledge and experience that the Group considers to be important for ensuring Vonovia's operational and financial further development.

Independence: The Supervisory Board shall only include members that it considers to be independent. Material conflicts of interest that are not merely of a temporary nature, e. g., arising from functions on executive bodies or advisory roles performed at the company's major competitors, should be avoided. A Supervisory Board member is, in particular, not to be considered independent if they have personal or business relations with the company, its bodies, a controlling shareholder or a company associated with such a shareholder that may cause a substantial and not merely temporary conflict of interest.

Diversity: When nominating candidates for election, the Supervisory Board should also take diversity into account. In accordance with the German Act on the Equal Participation of Women and Men in Leadership Positions in the Private Sector and the Public Sector (Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen in Privatwirtschaft und im öffentlichen Dienst), the Supervisory Board should comprise at least 30% women and 30% men. In addition, at least one woman should be a member of the Nomination Committee. Vonovia's Supervisory Board will meet both criteria – both for the period until December 31, 2021, and for the following target period leading up to the end of 2026. When assessing potential candidates for reelection or to fill a Supervisory Board position that has become vacant, qualified women are to be included in the selection process and given appropriate consideration when the nominations are made.

Target achievement: The objectives regarding the composition of the Supervisory Board set out above have been met. There are four female members of the Supervisory Board (33%). Hildegard Müller, Clara-Christina Streit and Dr. Ariane Reinhart are members of the Executive and Nomination Committee. All twelve members of the Supervisory Board are considered by the latter to be independent within the meaning of Nos. C. 6 and C. 7 of the GCGC, including Professor Klaus Rauscher, who is currently in his thirteenth year of office on the Supervisory Board, as he has no personal or business relationships with the company or the Management Board that would constitute a material conflict of interest that is not only of a temporary nature. When assessing whether or not a Supervisory Board member can be considered independent, all circumstances that the Supervisory Board considers relevant must be included in an overall assessment. The only factor arguing against this in Professor Rauscher's case, namely his long length of service, is canceled out by his extensive experience in regulated industries, as well as on the company's Supervisory Board. The main knowledge, skills and professional experience of the Supervisory Board members are summarized in the table below.

Supervisory Board Qualifications Profile

Name	Independent	Year of birth	Year appointed	Nationality	Key skills & areas of experience*: Finance, accounting, financial planning and analysis	Real estate	Strategy	Legal and regulation	International experience, M&A, capital markets	Investment expertise	Digitalization	Sustainability
Jürgen Fitschen (Chairman)	yes	1948	2018	German	x		x	x	x	x		
Prof. Dr. Edgar Ernst	yes	1952	2013	German	x		x	x	x	x		
Burkhard Ulrich Drescher	yes	1951	2014	German		x	x	x			x	x
Vitus Eckert	yes	1969	2018	Austrian		x	x	x	x	x		
Dr. Florian Funck	yes	1971	2014	German	x		x	x	x	x		
Dr. Ute Geipel-Faber	yes	1950	2015	German	x	x			x	x		x
Daniel Just	yes	1957	2015	German	x	x	x			x		x
Hildegard Müller	yes	1967	2013	German	x		x	x			x	x
Prof. Dr. Klaus Rauscher	yes	1949	2008	German	x	x	x	x	x			
Dr. Ariane Reinhart	yes	1969	2016	German			x	x	x		x	x
Clara-Christina Streit	yes	1968	2013	German/U.S.	x		x		x	x	x	
Christian Ulbrich	yes	1966	2014	German		x	x		x	x	x	

* The members of the Supervisory Board can specify up to 5 areas of experience.

Recruitment of Members of the Management Board

Composition: In accordance with the Articles of Association, the Management Board of Vonovia SE consists of at least two members. The Supervisory Board appoints the Management Board members in accordance with the Articles of Association and the law. The Supervisory Board can appoint a Chairman of the Management Board and a Deputy Chairman of the Management Board. The decisions made by the Supervisory Board on the composition of the Management Board should be based on a careful analysis of the existing and future challenges facing the company. The Management Board of Vonovia SE should be composed so as to ensure that, as the management body, it can perform the duties set out above reliably and in full. When taken as a whole, it should combine all of the knowledge and experience required to ensure that the Group can pursue its operational and financial objectives in an effective and sustainable manner in the interests of the shareholders and other stakeholders. While membership of the Management Board is not limited to a certain period of time, the contract of employment of a Management Board member ends when the member turns 67 at the latest.

Skills profile: Newly appointed Management Board members should be able, on the basis of their knowledge, skills and professional experience, to reliably perform the duties assigned to them in a listed real estate company that is active on the international capital market. In addition to having good professional and fundamental general qualifications, they should also show integrity, professionalism and commitment.

Independence: The Management Board should perform its management duties in a manner that is free of any conflicts of interest. Functions on executive bodies or advisory roles performed at major competitors of the company should be avoided.

Diversity: When looking for candidates to fill a Management Board position that has become vacant, the Supervisory Board should include qualified women in the selection process and give them appropriate consideration. Gender should be irrelevant when it comes to filling Management Board positions. The Supervisory Board has extended the target of at least 20% women on the Management Board, which was to be achieved by December 31, 2021 until December 31, 2026. For the two levels of management below the Management Board, the new target for the proportion of women is 29%, to be achieved by December 31, 2024.

Target achievement: The objectives regarding the composition of the Management Board set out above have been met in full. The Management Board consists of one female and three male members who are able to manage the Group appropriately on the basis of their experience and skills. At the time at which this declaration was made, the first two levels of management below Vonovia's Management Board comprises 28% women. Achieving the target of 29% women by December 31, 2024, for both management levels will continue to require even more systematic succession planning in order to actively support women and open up opportunities for them to assume technical management roles against the backdrop of the planned expansion of technical services at Vonovia.

Succession planning: The Management Board and the Supervisory Board address long-term succession planning for the Management Board on an ongoing basis. Last year, the Supervisory Board once again discussed positions to be filled in the Management Board and long-term workforce planning, taking the ideas explored by the Management Board into account.

Cooperation Between the Management Board and the Supervisory Board

The Management and Supervisory Boards vote on the strategic direction of the company and discuss the current status of its implementation at regular intervals. Furthermore, the Management Board regularly informs the Supervisory Board in written or verbal reports of topics including the development of business and the situation of the company. In this way, the Supervisory Board receives detailed documents from the Management Board regularly and in a timely manner on the economic development and the company's current situation as well as the half-yearly risk management and compliance reports that deal with the most important risks for the business as well as compliance management at Vonovia SE. On the basis of these reports, the Supervisory Board monitors the company's management by the Management Board as well as via its committees where particular powers are delegated to these committees. The Supervisory Board meets on a regular basis without the Management Board if personnel matters relating to the Management Board are to be discussed.

Avoidance of Conflicts of Interest

In the reporting year, there were no conflicts of interest of Management Board or Supervisory Board members, which are to be reported immediately to the Supervisory Board. There was no need to discuss or make decisions on legal matters, in particular lending transactions with members of executive bodies or individuals related to them.

Accounting and Financial Statement Auditing

The Annual General Meeting selected KPMG AG Wirtschaftsprüfungsgesellschaft as auditor for the annual financial statements and consolidated financial statements.

We prepare the annual financial statements of Vonovia SE in accordance with the German Commercial Code (HGB) and the German Stock Corporation Act (AktG) and the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) to be applied in the EU. In addition, we prepare a combined management report as required by the German Commercial Code and the German Stock Corporation Act (AktG). The Management Board is responsible for financial accounting. The Supervisory Board examines and adopts or approves the annual financial statements, the consolidated financial statements and the combined management report.

In addition to our annual financial statements, we also prepare interim statements for the first and third quarters as well as an interim financial report for the first half-year in accordance with the German Securities Trading Act.

Both the interim statements and the interim financial report are presented to, and discussed with, the Audit Committee of the Supervisory Board before they are published.

Under German stock corporation and commercial law, there are special requirements for internal risk management that apply to Vonovia. Therefore, our risk management system covers risk inventory, analysis, handling and limitation. In accordance with Section 317 (4) of the German Commercial Code applicable to listed companies, KPMG assesses in its audit the risk early warning system as part of the risk management system. Furthermore, we maintain standard documentation of all our internal control mechanisms throughout the Group and continually evaluate their effectiveness.

In the combined management report, we provide comprehensive information on the main features of the internal control and risk management system with regard to the accounting process and the Group accounting process in accordance with our reporting duties pursuant to Sections 289 (4) and 315 (4) of the German Commercial Code.

Pursuant to Section 315b (Section 289b) of the German Commercial Code (HGB), the Management Board is obliged to submit a Non-financial Declaration, which in turn has to be reviewed by the Supervisory Board. The Supervisory Board has commissioned the auditor to perform the review. The Management Board also prepares a sustainability report with annexes for classification in the context of sustainability ratings.

Overview

> Positive business development in 2021, another year dominated by the pandemic
> Successful acquisition of the Deutsche Wohnen Group in the third quarter of 2021
> Significant equity and debt financing measures implemented
> New construction and modernization strategy continued
> A total of 2,200 new apartments created
> Sustainability Performance Index increases to 109%

Vonovia can report **positive business development** in the pandemic year of 2021. All in all, the coronavirus pandemic only had a minor impact on the company's operating business.

Total segment revenue increased by 18.5% to around € 5.2 billion in 2021.

The **Adjusted EBITDA Total** came to € 2,269.3 million, an increase 18.8% against the 2020 figure.

Group FFO improved by 24.0% from € 1,348.2 million to € 1,672.0 million.

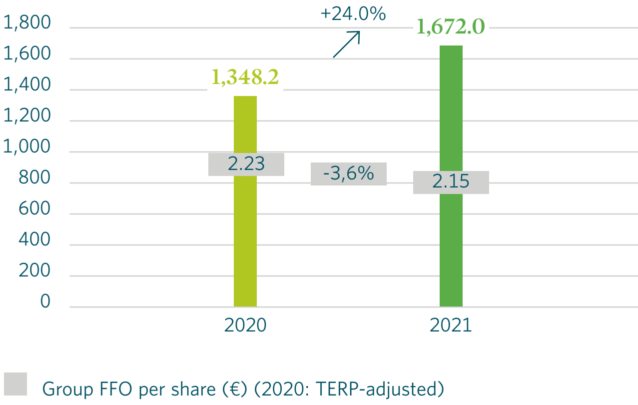
The **EPRA NTA per share** came in at € 66.73, up by 13.5% on the TERP-adjusted prior-year value of € 58.78.

The **Sustainability Performance Index** rose to 109% by the end of 2021. This was helped along in particular by the reduction of CO_2 intensity, the development of the average primary energy requirements of new construction, and the positive development of the customer satisfaction index.

Sustained Earnings

Group FFO

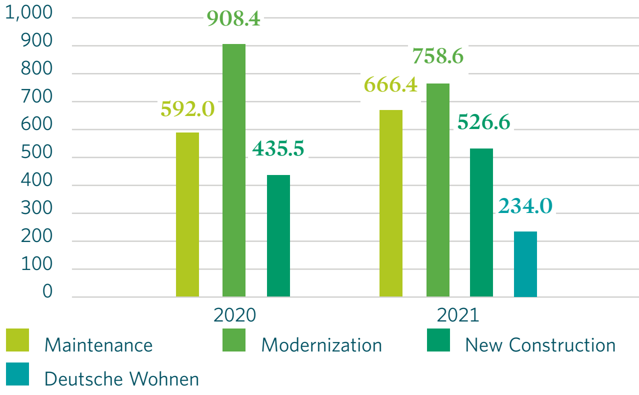
in € million



Maintenance, Modernization and New Construction

Investments

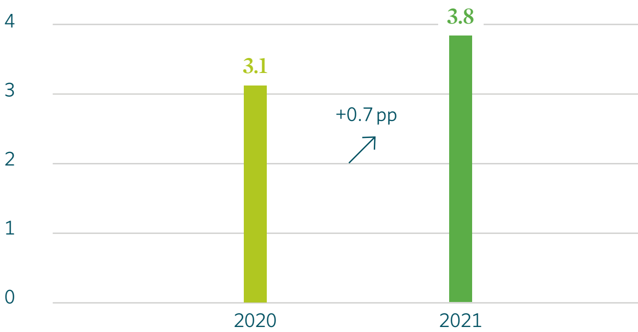
in € million



Organic Rent Growth

Organic Rent Growth

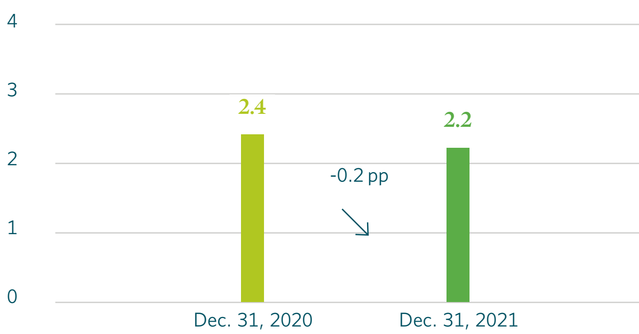
in %



Vacancy

Vacancy Rate

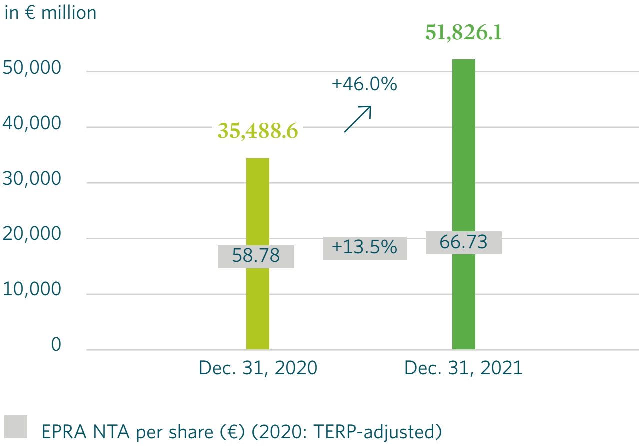
in %



Net Assets

EPRA NTA

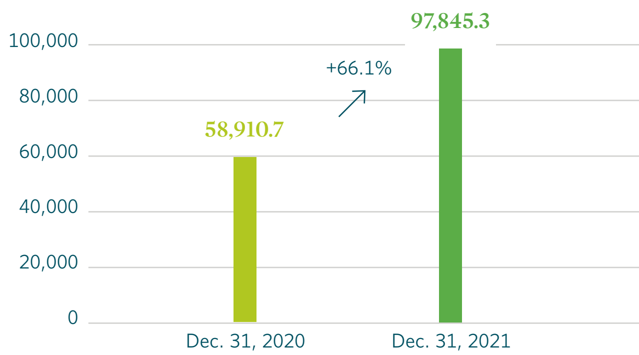
in € million



Fair Value of the Real Estate Portfolio

Fair value

in € million



Vonovia SE on the Capital Market

> Dividend Increased for the Eighth Time Running
> Successful Takeover of Deutsche Wohnen SE Including Capital Increase
> Renewed Improvement in Key ESG Ratings such as Sustainalytics, CDP or S&P Global

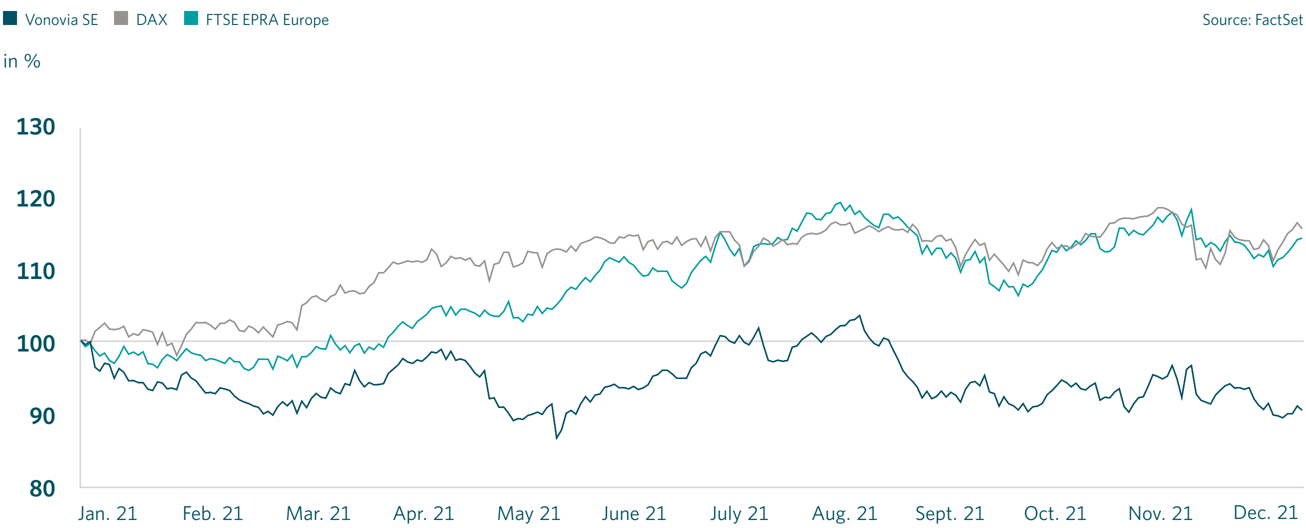
Developments on the International Capital Markets

The global coronavirus pandemic has been having an impact on the international capital markets since February 2020, and this continued in 2021. While the DAX 40 was still up by more than 13% after the first six months of 2021, the positive trend slowed down as the end of the year approached. Even though the DAX 40 still managed to reach an annual high in excess of 16,000 points, it closed the year at 15,885 points, which equates to an increase of only 1.7% in the second half of the year. We believe that there are three main reasons behind the damper on this positive trend: the emergence of the more contagious Omicron variant of the coronavirus, with fears of more rigorous restrictions or renewed lockdowns; the fact that international production was hindered by global supply bottlenecks and the associated fears of weaker economic output; and the further increase in inflation, which is likely to have put the brakes on developments on the stock markets due to fears that the trend would result in rising interest rates.

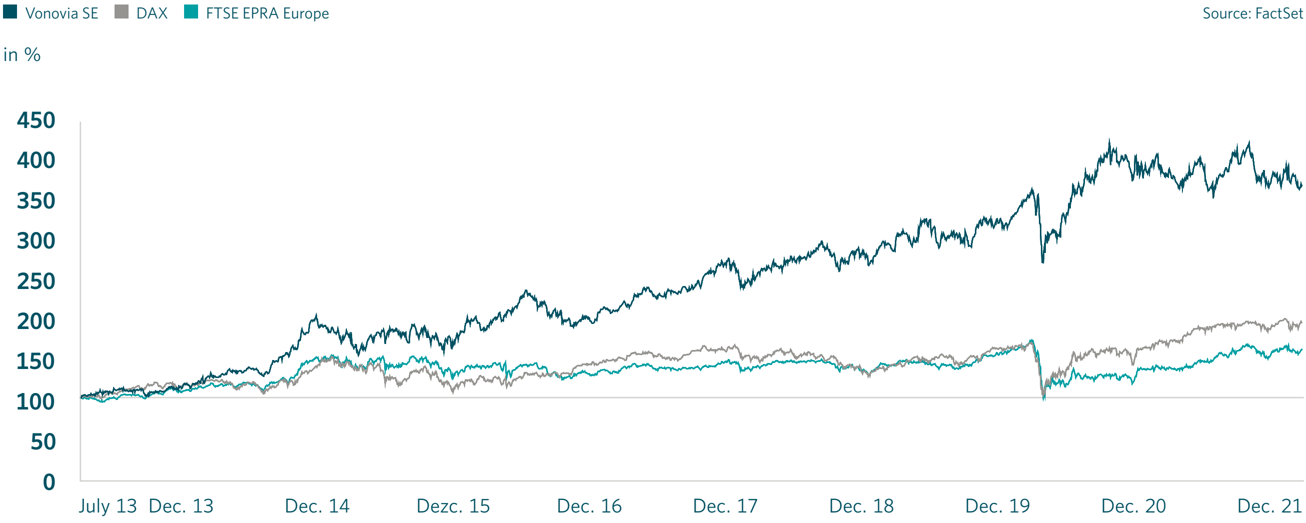
Shares in Vonovia

Vonovia's shares closed 2021 at € 48.50 after a volatile year on the stock market. While the relevant benchmark indices showed positive development in the course of 2021, with the DAX 40 gaining 15.8%, the FTSE EPRA Europe rising by 15.1% or the EURO STOXX 50 making gains of 20.6%, Vonovia's shares lost 13.4% of their value. Concerns regarding a prolonged period of high inflation and an associated rise in interest rates had a negative impact on the share price performance of German residential real estate companies, particularly towards the end of 2021. The imminent capital increase, which we ultimately implemented successfully in connection with the Deutsche Wohnen transaction in December, also had an impact on Vonovia's share price, as was to be expected.

Share Price Development



Share Price Performance since IPO



Even though Vonovia's share price declined in 2021, we still believe that our shares reflect the success of our business model as a whole in the long term. The graphic, for example, illustrates Vonovia's share price performance as against the DAX and EPRA since the time of the IPO and its superior performance of approx. 270% in the period leading up to the end of 2021.

Vonovia's shares reached their highest price for the year on August 22, 2021 at € 57.15 and their lowest price on May 25, 2021 at € 45.53.

Vonovia's market capitalization amounted to around € 37.7 billion as of December 31, 2021.

As a residential real estate company, Vonovia's operating business is still only very marginally affected by the coronavirus pandemic. Particularly on the demand and the resulting income side, we still do not expect the crisis to have any impact to speak of. Rather, the main long-term megatrends will remain the dominant forces driving our business: urbanization and the resulting imbalance between supply and demand as well as climate change and the reduction of CO_2 emissions in the housing stock. Other key factors include demographic change and senior-friendly apartment conversion. We are optimistic as we look ahead to the future and are confident that we will remain financially successful.

The average trading volume for shares in Vonovia SE, expressed as the number of shares traded on XETRA, remained more or less on a par with the 2020 fiscal year, with an average daily trading volume of 1.7 million shares in 2021. Expressed in euros, shares in Vonovia worth € 84 million were traded every day on average in 2021.

Index Memberships: Vonovia SE Member of the EURO STOXX 50, DAX 50 ESG and DJSI Europe

Vonovia has been a member of various sustainability indices since 2020, in particular the DAX 50 ESG and the Dow Jones Sustainability Index (DJSI Europe), which confirms Vonovia's successful ESG activities and the progress made in this area.

Capital Increase with Subscription Rights Totaling € 8.1 billion

In connection with the refinancing of the acquisition of Deutsche Wohnen, Vonovia's Management Board passed a resolution, with the approval of the Supervisory Board, on a capital increase with subscription rights in the amount of approximately € 8.1 billion on November 21, 2021. Vonovia's existing shareholders were able to purchase 7 new shares for 20 existing ones at a price of € 40 per share, which corresponded to a standard market discount of approximately 20% on the TERP (theoretical ex-rights price).

By the end of the subscription period on December 7, 2021 subscription rights had been exercised for 198,508,119 shares, corresponding to a subscription rate of 98.59%. The remaining 2,831,943 new shares were placed with institutional investors as part of a private placement. This brought the total gross proceeds to just under € 8.1 billion.

Following the entry of the capital increase in the commercial register on December 2, 2021 the company's share capital amounts to € 776,597,389.00, split into 776,597,389 shares.

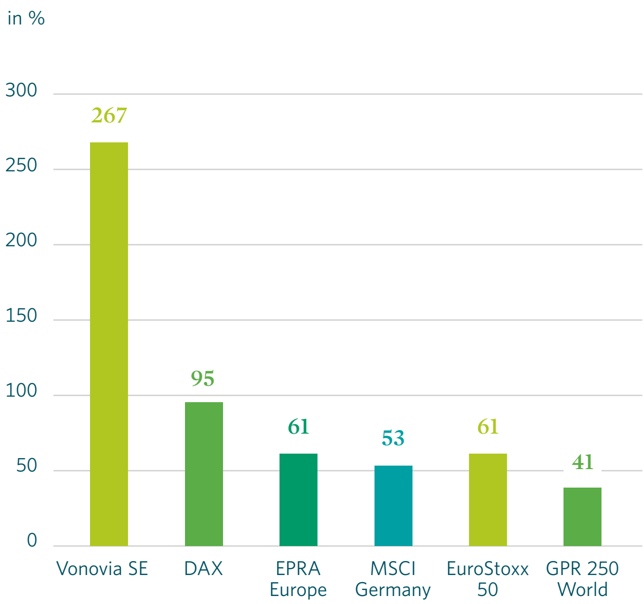
A capital increase with subscription rights at a discount requires all of the historical key figures per share to be adjusted, as a capital increase with subscription rights at a discount is a combination of an issue at the full share price and a bonus share issue.

Pursuant to IAS 33, the earnings per share for previous periods have to be adjusted to reflect the bonus element. Vonovia applies this method to all other share-related key figures, such as Group FFO, share prices, dividends or NTA, and marks the figures concerned accordingly.

Long-term Yield

An investor who bought shares in Vonovia when the company went public in 2013 and has held them ever since, reinvesting each dividend in more shares in Vonovia, will have seen the value of their securities deposit account increase by 267% by December 31, 2021 a result that far outstrips the performance of a corresponding investment in the benchmark indices.

Yield since Vonovia IPO

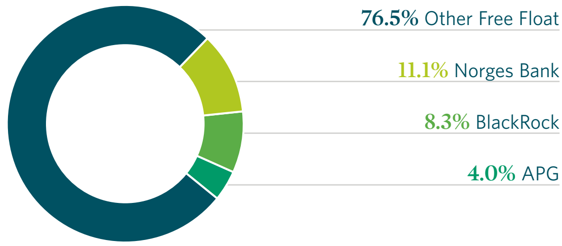


VNA and DAX performance are total shareholder return (share price plus dividends reinvested); MSCI Germany, GPR 250 World, EuroStoxx50 and EPRA Europe are share price performance only.

Shareholder Structure

The chart shows the company's shareholdings based on the data it collects itself and/or based on the voting rights pursuant to Sections 33 and 34 of the German Securities Trading Act (WpHG) as notified by the shareholders in relation to the current share capital. It is important to note that the number of voting rights most recently reported may have changed in the meantime, without any requirement to notify the company being triggered, within the range of the relevant threshold values.

Major Shareholders (as of December 31, 2021)

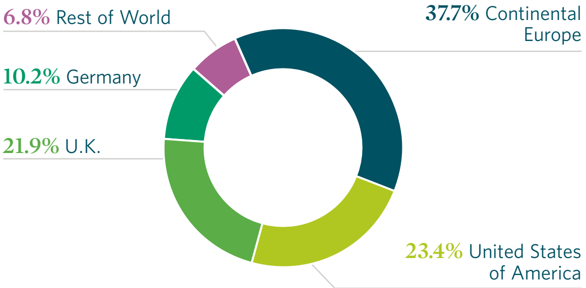


Based on the German stock exchange's definition of free float, only the interest held by Norges Bank (Ministry of Finance on behalf of Norway) does not count towards the free float. This means that 88.9% of Vonovia's shares were in free float on December 31, 2021. The underlying **voting rights notifications** and corresponding financial instruments reported by shareholders or other instruments pursuant to Sections 38 and 39 WpHG can be found online.

In line with Vonovia's long-term strategic focus, the majority of its investors also have a long-term focus. The company's investors include pension funds, sovereign wealth funds and international asset managers in particular. We determine/update the shareholder structure once a quarter. By the end of 2021, we had identified approximately 93% of our shareholder base. Institutional investors account for 96% of our shareholders and private investors for around 4%. The breakdown of the company's shareholders by region at the end of 2021 is roughly as follows:

Regional Distribution of Institutional Investors of Vonovia SE

Source: Own survey by NASDAQ



Annual General Meeting 2021

Vonovia conducted its second virtual Annual General Meeting on April 16, 2021. Given the health-related risks and official requirements imposed as a result of the coronavirus pandemic, it was impossible to hold an Annual General Meeting allowing participants to be physically present, as was already the case in 2020. The Annual General Meeting was chaired by Jürgen Fitschen, Chairman of the Supervisory Board of Vonovia SE.

Together with Rolf Buch, CEO of Vonovia SE, he spoke to the company's shareholders from a studio set up at the corporate headquarters in Bochum. The Annual General Meeting, which also featured sign language interpretation, was streamed live in the Investor Portal on the Investor Relations website.

Shareholders had submitted more than 800 questions for the general debate electronically in advance. Their voting rights could be exercised before and during the Annual General Meeting electronically, per postal vote or by authorizing the company's proxies.

With more than 800 participants representing 77% of the share capital present at the same time, all resolution proposals were approved with a large majority. The dividend proposed to the company's shareholders for the 2020 fiscal year also found broad support among Vonovia's shareholders. For the fifth year in a row, shareholders were again able to choose either a conventional cash dividend or payment in the form of shares. At 49.18%, around half of shareholders holding shares carrying dividend rights opted for payment in the form of shares.

Since 2018, the **investor portal** has given our shareholders the option to conveniently attend to all formalities relating to registering for and voting at the Annual General Meeting online.

Investor Relations Activities

In 2021, Vonovia participated in a total of 29 investors' conference days and organized 14 roadshow days. In addition, Vonovia took part in various investor forums and numerous one-on-one meetings with investors and analysts to keep them informed of current developments and special issues. In 2021, we held several hundreds of talks with analysts and investors. In addition to the coronavirus pandemic and its impact on Vonovia's business model, our talks with the capital market covered the topics of sustainability,

Successful Development of Vonovia's Shares Over a Period of Several Years

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Annual closing price (€)	16.06*	25.08*	26.76*	28.97*	38.80*	37.11*	45.00*	56.02*	48.50
High (€)*	17.62	25.08	31.15	34.51	39.26	41.88	45.78	58.33	56.64
Low (€)*	15.65	16.31	22.68	23.43	28.08	33.94	37.39	36.19	45.85
No. of shares as of Dec. 31 (in million)	251.5*	304.6*	497.2*	497.2*	517.6*	552.8*	578.6*	603.8*	776.6
Market cap as of Dec. 31 (€ billion)	4.0	7.6	13.3	14.4	20.1	20.5	26.0	33.8	37.7
Average transaction volume per day (VWAP in € million)*	1.3	12.3	45.2	41.2	47.6	55.8	65.9	85.7	84.2
Dividend per share (€)	0.62*	0.70*	0.88*	1.05*	1.24*	1.35*	1.47*	1.58*	1.66**
Dividend yield (%)	3.9	2.8	3.3	3.6	3.2	3.6	3.3	2.8	3.4

* Values are TERP-adjusted (TERP 2015: 1,051 – capital increase with subscription rights in connection with Südewo acquisition; TERP 2021: 1.067 – capital increase with subscription rights in connection with Deutsche Wohnen acquisition).
** Planned dividend proposed to the 2022 Annual General Meeting.
Source of share prices: FactSet

the investment program, rent regulation in Germany and national and international acquisition targets particularly frequently.

After we had to suspend our annual Capital Markets Day for institutional investors and analysts once again in 2021, we plan to resume the annual event series as soon as the coronavirus pandemic allows, at the very least as a hybrid event. You can find more details on our **Investor Relations website**.

We will also continue to communicate openly with the capital market in 2022. Various roadshows, conferences and investor forums have already been planned. Information can be found in the **Financial Calendar** on our **Investor Relations website**.

Positive Analyst Assessments

As of December 31, 2021 24 analysts were publishing studies on Vonovia on a regular basis (figure as of: December 31, 2021). Due to the Deutsche Wohnen transaction, three analysts were restricted at this time and are not publishing any recommendations. The average target share price was € 63.09 per share as of December 31, 2021 with 76.2% of analysts issuing a "buy" recommendation, 19.0% issuing a "hold" recommendation and 4.8% issuing a "sell" recommendation.

For information on the banks that report on Vonovia and value its shares, please visit our **Investor Relations website**.

Share Information (as of December 31, 2021)

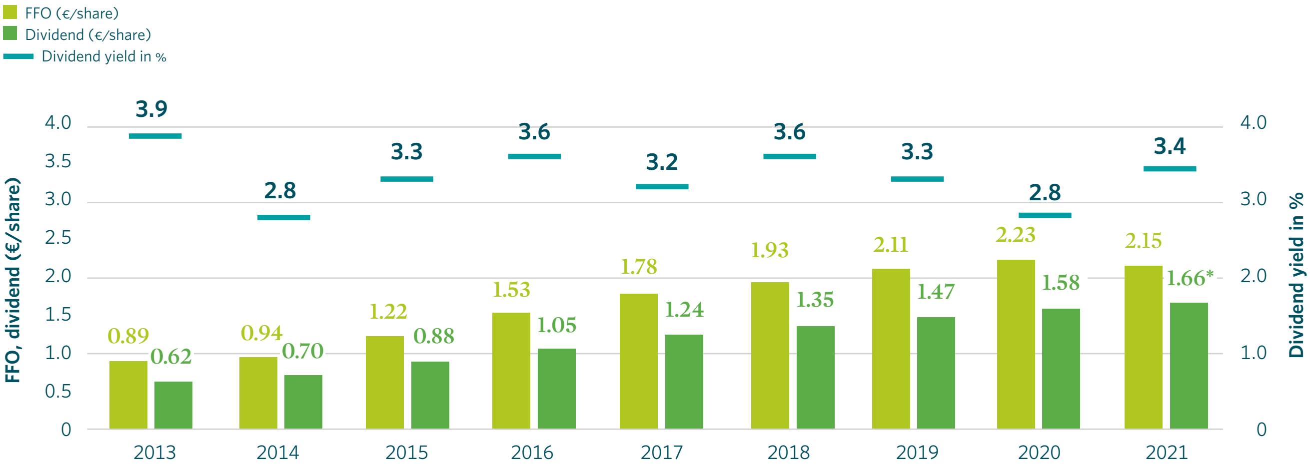
First day of trading	Jul. 11, 2013
Subscription price	€ 16.50 | € 14.71*
Total number of shares	776,597,389
Share capital	€ 776,597,389
ISIN	DE000A1ML7J1
WKN	A1ML7J
Ticker symbol	VNA
Common code	94567408
Share class	Registered shares with no par value
Stock exchange	Frankfurt Stock Exchange
Market segment	Regulated market
Indices	DAX 40, EURO STOXX 50, DAX 50 ESG, Dow Jones Sustainability Index Europe, STOXX Global ESG Leaders, EURO STOXX ESG Leaders 50, STOXX Europe ESG Leaders 50, FTSE EPRA/NAREIT Developed Europe and GPR 250 World

* TERP adjusted.

Attractive Dividend

The continuity of our business model is also reflected in our dividend policy. Our aim is to distribute around 70% of our Group FFO to our shareholders. As far as the 2021 fiscal year is concerned, we plan to propose a dividend per share of € 1.66 to the Annual General Meeting, which represents an increase of € 0.08 per share as against 2021 and corresponds to a dividend yield of 3.4% based on the closing price of the company's shares of € 48.50 as of December 31, 2021.

Attractive Dividend



FFO: 2013–2018: "FFO" corresponds to FFO 1; as of 2019: "FFO" corresponds to Group FFO. The years 2013 and 2014 are TERP-adjusted. TERP 2015: 1,051 – capital increase with subscription rights in connection with Südewo acquisition. The years 2013 and 2020 are TERP-adjusted. TERP 2021: 1,067 – capital increase with subscription rights in connection with Deutsche Wohnen acquisition.
* Planned dividend proposed to the 2022 Annual General Meeting.

Financing Environment

As in the previous year, economic activity in 2021 was dominated by the coronavirus pandemic. Measures to open sectors up and close them down, new vaccines, new mutations and new waves of infections confronted the general public, policymakers and the business world with an ever-changing overall environment. Local outbreaks and quarantine measures disrupted global trade and exacerbated global bottlenecks. While the shortage of primary products, in particular, paralyzed the global industrial recovery, the disruptions affecting industrial production were countered by sustained high demand for industrial products. This has resulted in substantial price increases, especially for intermediate goods.

The consensus based on the forecasts collected by Bloomberg is that the global economy will have grown by 5.9% in 2021 as a whole. Growth of 4.5% is expected for 2022.

In response to the spread of the coronavirus and in a quest to stabilize the financing markets, the European Central Bank ("ECB") had launched the Pandemic Emergency Purchase Programme ("PEPP") in March of 2020 as a special monetary policy measure. At the last ECB meeting held in December 2021, the Governing Council decided that net purchases under the PEPP were to be lower in the first quarter of 2022 than in the fourth quarter of 2021, and would ultimately be phased out by the end of March 2022.

By contrast, purchases under the Asset Purchase Programme ("APP") introduced back in 2015 are to be temporarily increased. The ECB plans to increase the monthly APP purchase volume from the current level of € 20 billion to € 40 billion in the second quarter of 2022 and then reduce it again to € 30 billion in the third quarter. From October 2022 onwards, the net purchase volume is to return to € 20 billion.

The ECB remains committed to its expansive monetary policy in a quest to remain flexible and have a certain degree of leeway with regard to the medium-term inflation target of 2%. In the euro area, consumer prices rose by 4.9% year-on-year in November – the highest rate of inflation witnessed since the creation of the single currency area. This inflation is being driven primarily by the marked increase in the price of gasoline, gas and electricity.

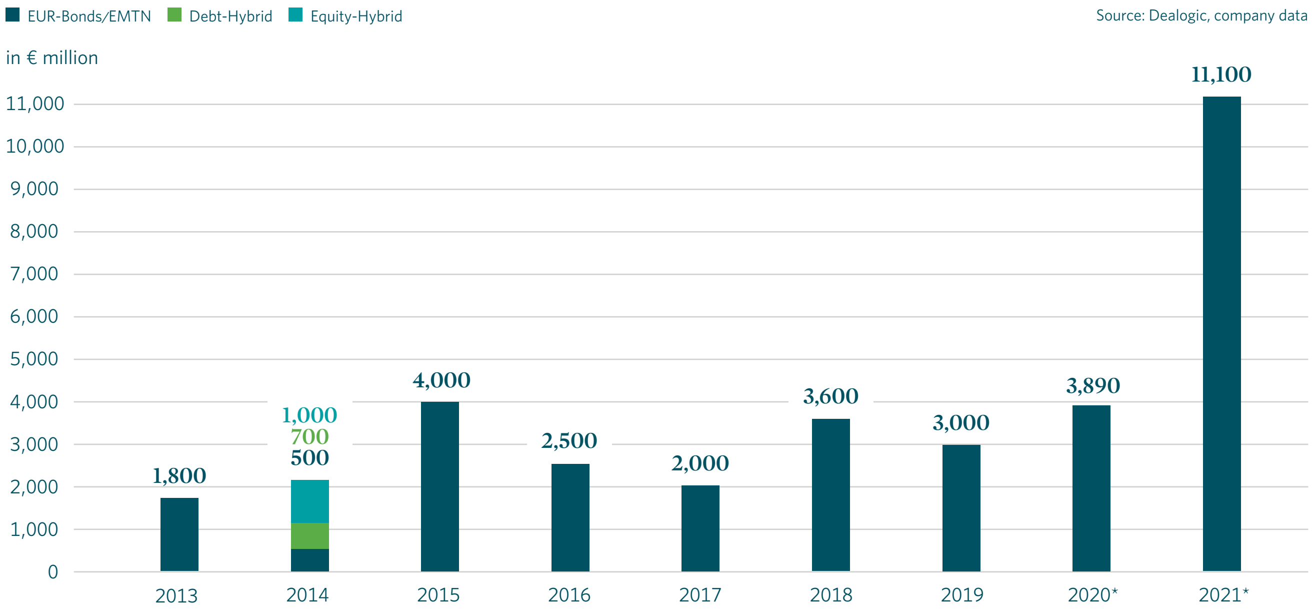
The deposit rate in the euro area has been unchanged at -0.5% since September 2019, while the main refinancing rate is 0.0%.

The yield on ten-year German Federal bonds fluctuated in 2021 and has been languishing in negative territory since May 2019.

In December 2021, the U.S. Federal Reserve System ("FED"), the world's largest central bank, signaled that it would be tightening the monetary policy reins. This sees the FED accelerate its break with extremely loose monetary policy in response to high inflation. The economic stimulus programs ("tapering") will be ended – asset purchases are now to be wound down quickly. Back in November, securities worth USD 105 billion were still being purchased; in December, the figure was to have been slashed to USD 90 billion, with only USD 60 billion being purchased as of January 2022. This means that the program could expire in March, which is a prerequisite for a potential interest rate hike. While central banks have signaled several increases in the key interest rate for 2022 and the following year, the key rate, which has been stuck in an extremely low range of 0.00% to 0.25% since March 2020, has not changed as yet.

In December, the Bank of England took the markets by surprise by raising its key interest rate from 0.15% to 0.25%. This makes it one of the first central banks in Europe, and the first major central bank overall, to take this step. The move was triggered by the rate of inflation in the United Kingdom, which recently rose to more than 5%.

Vonovia's Public Bond Issue Volume Per Year (EUR bond)



* Incl. Deutsche Wohnen.

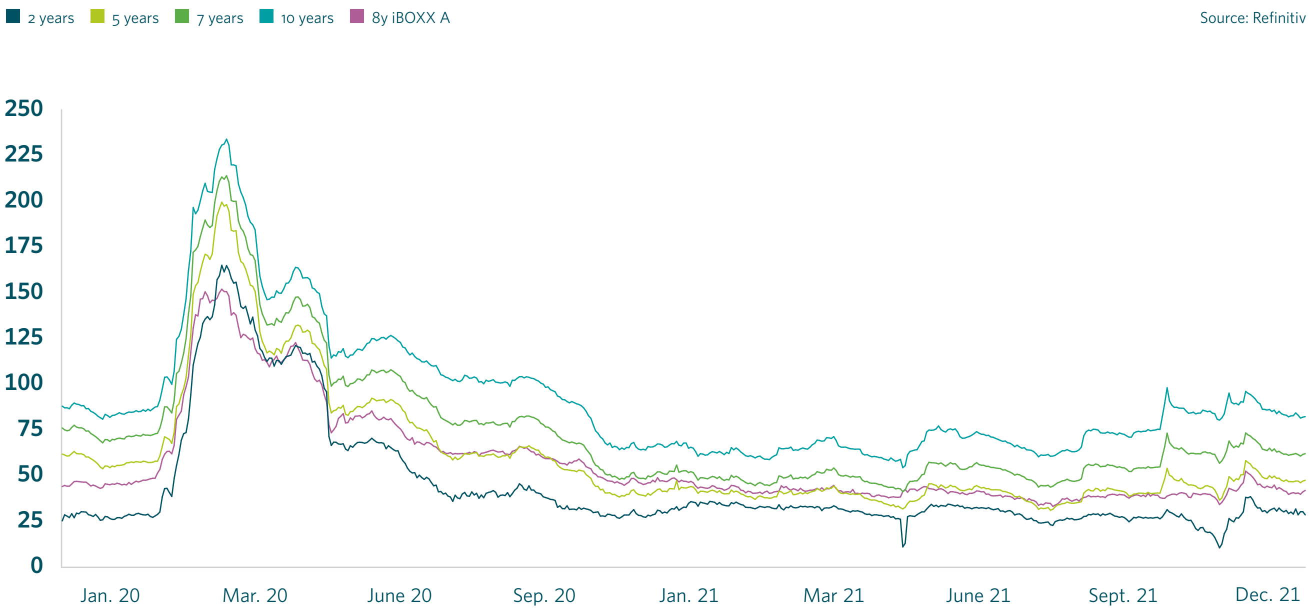
One of the World's Biggest Capital Market Issuers

The rating agency Standard & Poor's has assigned Vonovia SE a long-term corporate credit rating of BBB+ and a short-term credit rating of A-2. Thanks to the successful capital increase of around € 8 billion, the associated stable capital resources and the further reduction in risk resulting from the takeover of Deutsche Wohnen, S&P has raised its outlook from stable to positive.

The Berlin-based Scope Group has also issued Vonovia SE a rating of A- with a stable outlook.

In May 2021, Moody's became the third rating agency to publish a rating for Vonovia for the first time. Its initial rating is A3 in the investment grade range, with a stable outlook.

Spread Development (in Basis Points)



Vonovia's first-class credit rating continues to give the company unrestricted access to the international capital markets.

With an issue volume of € 11.1 billion (2020: € 3.9 billion), Vonovia (incl. Deutsche Wohnen) ranks among the top 5 euro-investment grade issuers in 2021 based on analyses performed by Dealogic (2020: top 20 euro-investment grade issuers). The volume-weighted average interest cost of the new bonds in 2021 comes to 0.63% (2020: 1.28% p.a.) with a weighted average maturity of 10.9 years (2020: 10.7 years). In 2021, Vonovia once again made active use of the difficult market environment to further optimize its capital structure.

Successful Financing Measures in 2021

Vonovia was able to demonstrate its professionalism and expertise in 2021 with acquisition financing in the amount of € 22.4 billion for Deutsche Wohnen, the largest ever financing arrangement seen in the German real estate industry. In order to ensure rating neutrality, the core element of the company's M&A philosophy, two bond takeouts were implemented in June and August 2021. The two bond transactions were the largest seen in the real estate sector anywhere in the world to date; the most recent, in particular, had a duration of 10.3 years and an average coupon of 0.49% and was also the first 30-year bond issued by a European real estate company

Vonovia made use of the capital market five times in 2021:

> A new bond with a volume of € 500 million and a term of 20 years had already been issued at the end of January 2021.
> March saw Vonovia issue its first few green bonds in the amount of € 600 million with a term of 10 years.
> Another bond with 5 tranches and a total volume of € 4 billion was issued in June. The terms were between 3 and 20 years.
> In August, another bond with a total volume of € 5 billion was issued in 5 tranches with terms of between 2 and 30 years.

Capital Markets Outlook

2021 was another year full of challenges. The supply and delivery bottlenecks are proving to be more intense and persistent than expected. The impact of the new Omicron variant of the coronavirus remains unclear.

Looking at the global macroeconomic environment, more bottlenecks, higher inflation and slower growth are predicted to be on the cards for 2022.

From a global perspective, the course that the coronavirus pandemic takes is also likely to have a decisive influence on economic development in 2022. But the world is faced with other challenges, too, such as climate protection and the associated transformation towards a climate-friendly "green" economy.

Another topic that has become increasingly important is digital transformation, with the demands it places on both the expansion of digital infrastructures and the corresponding regulatory framework. Last but not least, ongoing geopolitical uncertainty, for example in Asia or in Russia's sphere of influence, as well as the battle between different social and economic systems, namely between the U.S. and China, for resources, shares in trade, technological supremacy and geopolitical influence could add further fuel to the disruption of global economic growth in the form of trade wars or financial market restrictions, for example. Rising to these challenges will likely continue to demand a great deal of effort from the world's economies in 2022 – while also opening up completely new opportunities in the quest to overcome them.

With Vonovia's moderate level of debt, which allows the company to acquire a significant volume of financing eligible for the collateral pool, and its investment grade rating as proof of our exceptionally stable business model, Vonovia's debt instruments will remain a sought-after investment. We do not expect to see any direct correlation between interest rate developments and earnings given the long maturities of our financing instruments and the smooth maturity profile. Rather, it is evident that the supply/demand situation regarding the residential real estate market and, as a result, rental development has much more of an impact on earnings. This is enhanced by the results of the Value-add Business, which is unrelated to interest rates.

We expect to see robust economic growth and a mix of loose fiscal and monetary policy in 2022. While one positive aspect is that spread widening will be contained by technical factors, 2022 will be characterized by greater levels of volatility as various forces will have an impact on spreads.

Combined Management Report

Our strategy allows us to contribute to solving the challenges of the future created by the current megatrends. Our sustainable and robust business model once again formed the basis for positive business development in the pandemic year of 2021. The combined resources of Deutsche Wohnen and Vonovia will make us an even bigger force for addressing the challenges of the future to the benefit of everyone.

Fundamental Information About the Group

Societal Megatrends Defining Overall Conditions on the Residential Real Estate Market

2021 was another year in which the previously unimagined effects of the **coronavirus pandemic** had the world firmly in their grip. This included the well-known negative effects on national economies, as well as far-reaching psychological and sociological impact. People's living and working habits are expected to have changed in the long term as a result of the pandemic, although many long to return to what was previously considered normal. In the midst of the fourth wave of the pandemic, with new mutations of the virus continually emerging, it is difficult to predict what economic, political and social developments will emerge or intensify as a result.

In addition to the coronavirus, 2021 once again saw **extreme weather phenomena** which are believed – so the largely unanimous consensus – to have been caused by **global climate change** driven by the man-made increase in average temperatures. The catastrophe in the Ahr valley is but one example. Weather phenomena such as heat, drought and fire on the one hand and heavy rainfall, flooding, melting glaciers and rising sea levels on the other cause or aggravate negative economic consequences.

As a result, the demands placed on corporate strategies and business models now extend far beyond the need to generate returns. Companies have to demonstrate the **sustainability** of their strategies and business models to the public by setting sustainability goals. At the same time, they also have to present the risks associated with **megatrends**, and with climate change in particular. As a result, companies today have to take into account the most diverse range of stakeholders and what they expect from the company as a social player in terms of information. The shareholder approach is increasingly evolving into a stakeholder approach; companies have to demonstrate their license to operate, as it is often called.

The megatrends that have been evident for some time now, **urbanization and the shortage of housing**, **climate protection and reducing CO_2**, **digitalization** and **demographic change,** also have to be reassessed in terms of their economic, political and social implications for the company's strategy and business model in connection with the latest developments in the course of the pandemic.

The aim is to preserve the company's agility and innovative strength as key skills to address the challenges of the future in the context of the overall conditions for the housing industry.

As part of its sustainability strategy, Vonovia has made a clear and explicit commitment to climate protection targets and a virtually carbon-neutral building stock by 2045 as well as to reliable and transparent corporate governance.

The Company

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, and the provision of housing-related services. These housing-related services mainly relate to cable TV, energy services, automated meter reading and senior-friendly apartment modernization. This is supported by our caretakers and by our established craftsmen's and residential environment organization.

To date, Vonovia's business model has proven to be robust and largely **resilient** in these times of the coronavirus pandemic. There was no material impact on the net assets, financial position and results of operations. The focal point of Vonovia's work of late has been the quest to successfully maintain its business processes and protect its customers and employees. The already high **level of digitization** inherent in our business processes allowed us to transition almost seamlessly to working from home for back office functions. There were no significant interruptions on our building sites.

Our business model is also **future-fit in the long run**, as it can use sustainable new construction and refurbishment approaches, CO_2 reduction in the real estate portfolio and innovations relating to the energy mix, materials, biodiversity, emissions and waste to contribute to solutions for climate protection objectives.

Aspects of Sustainability at Vonovia

E Environmental	S Social	G Governance
Contribution to climate protection and reducing CO_2.	**Social responsibility for our tenants, customers and employees.**	**Reliable, transparent and trust-based corporate governance.**
> Environment and climate > Sustainable construction and development	> Society and contribution to urban development > Homes and customers > Corporate culture and employees	> Responsible business practices and governance > Future fitness and the capital market

Our **neighborhoods, the main areas of action** for creating a socially responsible housing industry, are to provide housing that responds to tenants' needs as part of a process aimed at tenant participation so as to boost customer satisfaction and also contribute to the integration of our increasingly diverse society. In the initial phase of every neighborhood development project, residents are involved in the plans as part of a civic participation process so as to arrive at a shared vision. In addition to the strategic neighborhoods (urban quarters), there are unique strategic properties (urban clusters) to which the action options of the strategy and business model are adaptively applied.

The large number of urban quarters and urban clusters in urban areas allows Vonovia to use its strategy to address the challenges arising from the megatrends. Around 70% of Vonovia's portfolio (excluding Deutsche Wohnen's portfolio) is located in contiguous urban quarters, i.e., neighborhoods that generally include more than 150 apartments. At Vonovia, designing homes that offer real quality of life always involves identifying what the relevant social structures need, taking into account the history of these neighborhoods. In 2021, 15 neighborhood development projects were at the operational implementation stage, with two newly built neighborhoods being completed. Intensive work is currently under way to prepare for the operational implementation of a further 20 neighborhood development projects, and additional newly built neighborhoods are in the pipeline.

As well as allowing social projects to be implemented, meeting places to be created, doctors or supermarkets to move into the area and cultural events to be offered, urban quarters offer an ideal platform for the implementation of new and innovative products. The development business is also consistent with the sustainable neighborhood concept.

Vonovia aims to be an attractive employer for its **employees**, ensuring equal opportunities and supporting staff members in their personal and professional development. Trustworthy, reliable and transparent corporate governance will lay the foundation for this.

Vonovia manages a housing stock of around 505,000 **of its own apartments** in almost all of Germany's attractive cities and regions. It also manages a portfolio of around 38,000 units in Sweden and approximately 22,000 in Austria. The total fair value comes to around € 97.8 billion, with net assets based on the EPRA definition coming to approximately € 51.8 billion (European Public Real Estate Association: EPRA). In addition to its own apartments, Vonovia manages around 71,000 apartments for third parties. This makes Vonovia one of the leading residential real estate companies in Germany, Austria and Sweden, albeit with a low market share of around 2.1% in Germany due to the highly fragmented nature of the market. Vonovia also holds a minority stake in a portfolio previously held by the French railway operator SNCF and in the Dutch company VESTEDA.

Vonovia's roots and those of its predecessor companies extend back into the 19th century and lie in not-for-profit housing and housing for factory workers in Germany's Ruhr region. Deutsche Annington and GAGFAH have their roots in housing construction companies that built low-cost homes for workers, salaried employees and civil servants. Many of the housing developments and neighborhoods built in that era were model projects of the time and are now covered by preservation orders. Living in neighborhoods known as "workers' settlements" was about much more than just affordable living space. The residents were colleagues and neighbors; they worked and lived together. The approximately **586 neighborhoods** (excluding Deutsche Wohnen) that the company has today are one of Vonovia's USPs and a focal point of the answers to the megatrends facing us. The story of Vonovia's roots continued in 2021 with the takeover of the Deutsche Wohnen Group. In addition, 2021 saw Vonovia celebrate the **70th anniversary of BUWOG,** which has its roots in Austria. BUWOG was created by the Austrian government as a housing company for civil servants and was eventually privatized. It was in this time that BUWOG evolved into a leading real estate developer in Germany and Austria. The Swedish properties originate from the "Million Program" public housing program of the 1960s and 1970s, the aim of which was to create simple, low-rent homes. A need for modernization and development meant that selected properties in and around Stockholm, Malmö and Gothenburg were ultimately acquired by Victoria Park and Hembla as investors.

The integration of the **Deutsche Wohnen** organization and processes into Vonovia's structures will be the main task facing the company in 2022.

Corporate Structure

Vonovia SE, the parent company of the Vonovia Group, is organized in the legal form of a dualistic European company (SE). Vonovia SE is directed by a Management Board, which is responsible for conducting business and defining the Group's strategy. Implementation occurs in close coordination with the Supervisory Board, which is regularly briefed by the Management Board regarding the development of business, strategy and potential opportunities and risks. The Supervisory Board oversees the activities of the Management Board.

Vonovia SE has its **registered headquarters** in Germany. Since 2017, its registered office has been in Bochum. The head office (principal place of business) is located at Universitätsstrasse 133, 44803 Bochum. In line with the business combination agreement with Deutsche Wohnen, the company will be run from Bochum and Berlin. As of December 31, 2021 736 legal entities/companies (of which 441 in Germany) formed part of the Vonovia Group. A detailed list of Vonovia SE shareholdings is appended to the Notes to the consolidated financial statements.

Vonovia SE performs the function of the **management holding company** for the Group. In this role, it is responsible for determining and pursuing the overall strategy and implementing the company's goals. It also performs property management, financing, service and coordination tasks for the Group. Furthermore, it is responsible for the management, control and monitoring system as well as risk management of the Group.

In order to carry out management functions, Vonovia SE has established a series of **service companies**, particularly for commercial and operational support functions, which are centralized in shared service centers. By pooling the corporate functions on a uniform management platform, Vonovia achieves harmonization, standardization and economies of scale objectives, and the other Group companies thus do not need to perform such functions themselves. This bundling is a prerequisite for the efficient and effective management of a portfolio of more than 565,000 apartments and also provides the basis for the successful digitalization of Vonovia's process chains. The development business is largely managed via **project companies**.

With our **efficient organizational model**, optimized processes, a clear focus on service, and, as a result, on our tenants, and a clear investment strategy focusing on climate protection, we are laying the foundation for a sustainable business while safeguarding our legitimate interests as a private-sector company.

A balanced mix of services provided by the **central service center, regional caretakers working on-site** and our company's own technical and residential environment organization, combined with housing-related services (**Value-add**), ensures that our tenants' concerns can be attended to in a timely, straightforward and reliable manner. This plays a key role in ensuring that our customers feel that they have good support in their environment.

In addition to its successful long-term and modern property management, Vonovia also develops its real estate portfolio through targeted **acquisitions and sales**. The goals associated with new portfolios acquisitions include strengthening its overall regional presence, realizing operational and financial economies of scale and optimizing structures. The integration of acquisitions, as is now on the agenda in 2022 for the processes and organization of Deutsche Wohnen, is based on a tried-and-tested, formalized process.

In addition, Vonovia will be using **new construction and development measures**, densification and vertical expansion to build an increasing number of new apartments in order to meet the rising demand for living space in metropolitan areas in particular. The integration of the development organization operating under the **BUWOG** name has allowed Vonovia to acquire extensive product and process expertise in the field of construction and in the development of residential construction projects. This means that Vonovia has not only a **management platform** but also an end-to-end **development platform** spanning the entire value chain.

The management of the operating business is based on the company's strategic approaches and is conducted via the four **segments** Rental, Value-add, Recurring Sales and Development. The Deutsche Wohnen activities will be allocated to their counterparts at Vonovia as part of the integration process. Details on the management of our business can be found in the chapter on our management system.

Vonovia's Scalable Organizational Model: Strong Regional Presence and Efficient Central Shared Services

Central

Portfolio Management

> Invest program management
> Rent calculation & management
> Rent performance management

Central Property Management

> 24/7 customer service
> Rental contract management
> Field service disposition
> Property-related accounting services

Regional

Asset Management

> Strategic development of local portfolio
> Stakeholder management

Property Management

> Field services
> Caretaker organization
> Letting organization

Value-add Management

> Technical service
> Modernization
> Residential environment

Development

> Integrated development platform
> Development to sell / to hold

Shared Services

> Purchasing
> Finance/tax
> Accounting
> Controlling
> Legal
> IT
> HR
> Communication

Strategy

Vonovia's sustainable strategy is accepted and solid

The strategy Vonovia introduced **at the time of its IPO** has reached a high **degree of maturity** and has proven its viability and flexibility. It achieved sustainable improvements in customer satisfaction, addressed new demands and successfully established new business models. This strategy still consists of the four basic approaches: the property management strategy, the financing strategy, the portfolio management strategy and the Value-add strategy. The **two additional approaches**, making acquisitions as and when opportunities present themselves and pursuing internationalization, continue to support and round off the four basic approaches.

Not only the increasingly dynamic development of **megatrends**, but also the ever louder calls made by various stakeholder groups for a **sustainable business model** mean that the focal points of the company's strategy have to be reviewed on an ongoing basis and, in particular, the **sustainability aspects** of this strategy, which has proven so successful to date, have to be given even greater attention and be enhanced in a targeted manner to ensure **the future viability of Vonovia's strategy** and business model.

The strategy, which will continue to have a **commercially successful business model at its core** in the future as well, explicitly addresses the following sustainability issues:

> Contribution to climate protection and reducing CO_2 (E)
> Social responsibility for our tenants, customers and employees (S)
> Trustworthy, reliable and transparent corporate governance based on the best-practice guidelines set out in the Corporate Governance Code (G).

The strategy also specifically addresses the UN's Sustainable Development Goals (SDGs) as well as the specific ESG targets set by European and national standard setters. With this in mind, Vonovia has defined its own climate path. The integration of sustainability into the strategy is also reflected in the expansion of the management system to include non-financial key figures, in particular in the form of the introduction of the **Sustainability Performance Index** from 2021 onwards.

Vonovia had already set up an **organizational unit** reporting to the CEO to coordinate and promote sustainability aspects in the context of the strategy and the business model, as well as being responsible for external sustainability reporting. A steering group, the Sustainability Committee, has also been set up. It includes the entire Management Board as well as the individuals responsible for sustainability, corporate communications, investor relations, controlling, accounting and business innovation. In order to calibrate its sustainability endeavors correctly, Vonovia had conducted an earlier **materiality analysis** in 2020, which continued to apply unchanged in 2021. This process involved identifying areas for action and developing a sustainability roadmap. In addition, opportunities and risks resulting from the various areas for action are monitored as part of the risk management system.

Solutions for climate protection in the housing industry using innovations and new technologies will be largely implemented in our **neighborhoods** in a cost-effective manner to allow us to continue to design urban, environmentally friendly and affordable housing in a socially responsible manner. Another way in which Vonovia lives up to its social responsibility is via its neighborhood development projects.

In the future, trustworthy, reliable and transparent **governance** will be supplemented to include ESG risk management that also takes the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD) into account. In 2021, the company will also be reporting in accordance with the requirements set out in the EU taxonomy for the first time. In the future, all decisions will be evaluated with regard to their impact on sustainability aspects.

Highly Developed 4+2 Strategy

The 4+2 strategic approaches already in place can be briefly summarized as follows. More detailed information is available in previous management reports.

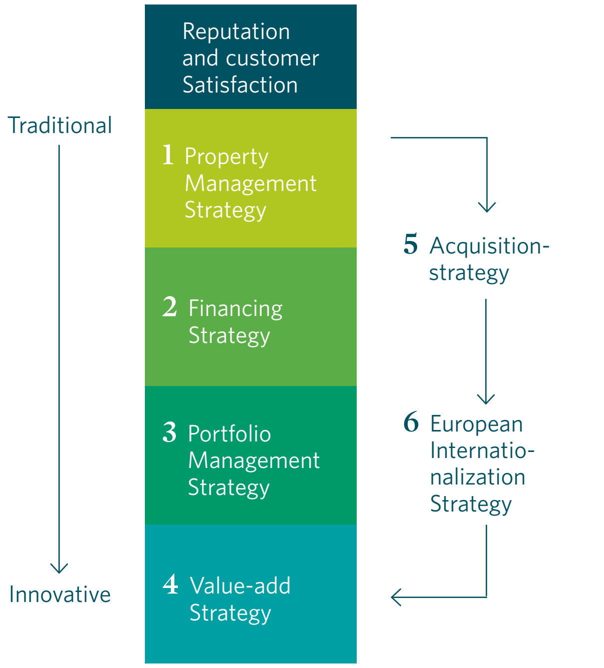
The **property management strategy** is based on the sophisticated **management platform**, which allows for the efficient management of the portfolio and the successful scaling of the property management business. In this respect, Vonovia makes use of a mix of regional and local services and the Group-wide bundling of services in central service centers. Vonovia also applies this expertise to the property management business in Austria and Sweden in line with the requirement profiles that apply in those markets. The property management strategy is being enhanced, in particular, by digitalization measures in the underlying business processes and at the customer interface. The tenant app is one of the lighthouse projects in this area.

The **financing strategy** has essentially been implemented in full. Vonovia's debt, measured in terms of the loan-to-value (LTV) ratio, is stable within the target range of 40% to 45%. Thanks to its broad range of equity and debt capital providers and the investment grade ratings awarded to our company by the rating agencies S&P, Moody's and Scope, Vonovia has excellent access to the international debt and equity capital markets. As a result, our current focus is on maintaining these credit ratings, optimizing the financing structure and maturity profile, diversifying our financing sources and financial risk management.

The **portfolio management strategy** focuses on **optimizing the portfolio**. The portfolio is refined in a targeted manner using privatization measures and the sale of non-strategic properties. On the other hand, tactical acquisitions, modernization, new construction and development measures are used to increase the value of the portfolio in a targeted manner. Vonovia invests in its strategic holdings in urban neighborhoods and urban clusters, especially in line with its climate path to promote sustainability and with its innovation strategy We want to create new homes in our portfolio in the future as part of our densification strategy, using a combination of vertical expansion and new construction on existing land. The portfolio management strategy also includes the activities of the development business on land purchased specifically for this purpose, adding another profitable element to Vonovia's value chain. The development business, operated under the BUWOG brand, includes the construction of owner-occupied apartments for sale to private investors and owner-occupiers as well as the construction of rented apartments to be managed by the company itself.

The **Value-add strategy** supplements our core business to include **customer-oriented services**, e. g., services that are closely related to or influence the rental business. As part of this strategy, we continually evaluate additional innovative service ideas and business models to boost customer satisfaction and add the corresponding activities to our offering. Those areas of the Value-add strategy that have already been established successfully largely include the craftsmen's organization, the residential environment organization, multimedia services, energy services and metering services, and insurance services. The capability of having our own craftsmen's and residential environment

The 4+2 Pillars of Our Strategy



1 Management platform/Austrian client/digitalization
2 LTV/financing strategy/financial risk management
3 Portfolio management/recurring sales and Non-core Disposals/investment strategy/development and new construction
4 Housing and property-related services/business development/digitalization
5 Opportunistic acquisition strategy Germany
6 Austria/Sweden/France/The Netherlands

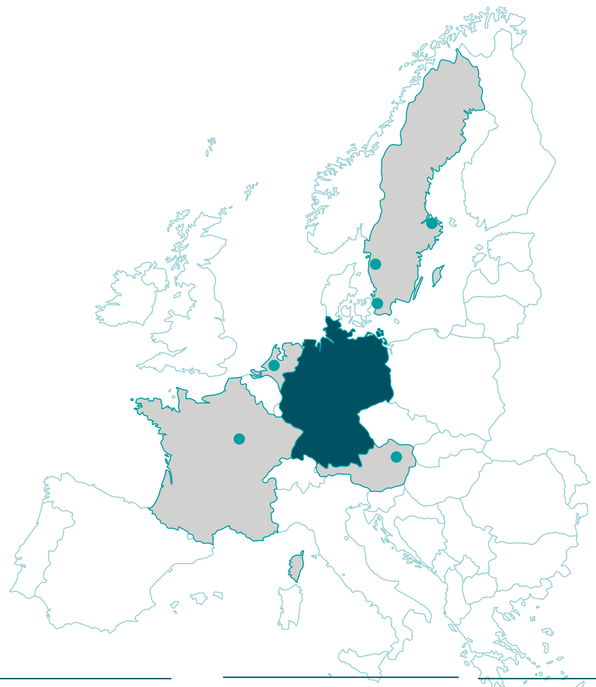
organization cover the entire portfolio, in particular the maintenance and modernization services, allows us to make the residential units more attractive in general and help to boost customer satisfaction.

Vonovia pursues **acquisitions** as and when opportunities present themselves. Acquisitions have to be expected to increase in value before they are conducted. Such increases in value are generally assessed in terms of strategic suitability, increases in EBITDA Rental yield per share and a neutral impact on the EPRA NTA per share; these are funded by 50% equity and 50% debt. Furthermore, an acquisition must not pose any risk to the company's stable BBB+ long-term issuer credit rating. Despite the shorter supply of attractive portfolios, Vonovia remains committed to the implementation of its **acquisition strategy**, as there are still opportunities for successful takeovers and integration measures available. Vonovia has been growing in recent years thanks to a large number of acquisitions.

Our scalable operational management system allows us 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 our organization over time, we are constantly analyzing portfolios that could constitute potential takeover targets. In accordance with our portfolio management strategy and our Value-add strategy, we do not consider acquisitions to be the only way in which to achieve growth but rather see them as key additional strategic levers that help to strengthen the impact of our core strategies.

Our experience and expertise as a leading real estate company on three European markets (Germany, Sweden and Austria) serves as a reference that allows us to invest as part of our **internationalization strategy** 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. Any activities on other European markets are performed by making targeted direct investments, such as in Sweden and Austria, but also, as an alternative, via high-profile and reliable joint venture partners in the first instance, which is the approach pursued on the French and Dutch markets. This will involve making contact with European partner companies, corresponding investors or political institutions in order to help accurately assess investment opportunities, cooperation options and opportunities for market entry. Vonovia will pursue its internationalization strategy as and when opportunities present themselves. Our activities on other European markets must not impact on our established business in Germany, Austria and Sweden, and must entail risk potential that can be controlled or limited.

European Markets



Germany	Sweden	Austria	The Netherlands	France
15 urban growth regions	Stockholm, Gothenburg, Malmö	Vienna (mainly)	Randstad (greater Amsterdam/Rotterdam)	Île-de-France (greater Paris)

Vonovia Innovation Platform

Innovation as a Basis for Solutions

2021 once again showed that the demands resulting from developments in the overall social, ecological, political and technological environment remain and are having an impact on the expectations of various stakeholder groups and thus also on Vonovia's existing business models.

This confirms just how important the strategy defined last year is, namely the quest to forge ahead with innovation and, in doing so, also promote the aspects of customer orientation, sustainability and the future viability of existing business models. Particularly in the context of the energy revolution, Vonovia sees itself as a market player with social responsibility that thinks beyond the boundaries of the pure rental business in seeking to develop innovative solutions.

Vonovia is using its Innovation & Business Building department to advance relevant ideas at all levels of the Group, working closely with various departments in the process. This has allowed the company to implement an innovation ecosystem with stringent processes within the Group, giving Vonovia the capabilities – and allowing it to continue to establish the resources – it needs. A customer and data-centric perspective forms the basis for scaling new products and services.

Innovation is a firmly established component of Vonovia's strategy. The large number of neighborhoods in the company's portfolio creates potential to develop future-fit solutions for innovative technologies and new services to respond to the current megatrends. The innovative approaches are not only applied, however, to the neighborhoods (urban quarters), but are also selectively adapted to urban clusters.

The Innovative Neighborhood of Tomorrow: Networking and Smart Sector Coupling

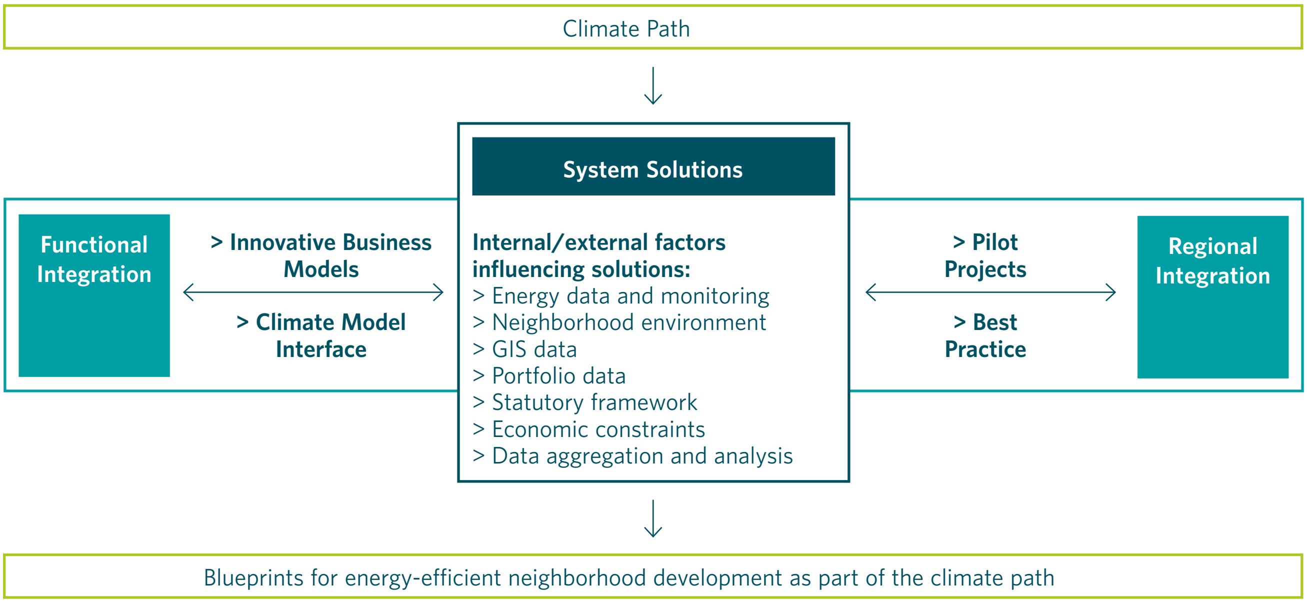
In striving to achieve a virtually climate-neutral building stock by 2045, Vonovia has defined its neighborhoods as a central focal point. Innovation and a holistic view of neighborhoods in terms of social, ecological and economic factors are crucial when it comes to mastering the energy revolution.

As each and every neighborhood is unique, with different local conditions, neighborhoods are evaluated individually in order to implement innovative solutions. This is why a modular system is being developed in which scalable solutions for the coupling of the heat, electricity and mobility sectors can be used in the future in a customized way in different neighborhoods. In addition to the existing solutions, the market is constantly being analyzed to explore new technologies and their scalability so that Vonovia can efficiently achieve the goals set out in its climate path.

Another focal point is decentralized energy supplies featuring the use of renewable energies. Smart generation, storage and consumption play an important role in this process. A milestone was reached with the commissioning of the Energy Center of the Future in Bochum-Weitmar. The innovative research laboratory supplies 81 residential units in the neighborhood using innovative technologies (e.g., electrolyzer, fuel cell, or hydrogen storage facility). The electricity required is also generated locally by the center's own photovoltaic systems. Thanks to the center's initial research results, higher efficiency levels can already be achieved with cold district heating 2.0. This will make the neighborhood self-sufficient in its heating supply in mild winters in the future. The center also features a battery storage system and a hydrogen storage facility.

In addition to the purely technological approach, social components are also included in the innovation process so that added value can be created at all levels. The aim is to create smart networks linking residents with each other and the buildings in the neighborhood.

Energy-efficient neighborhood development

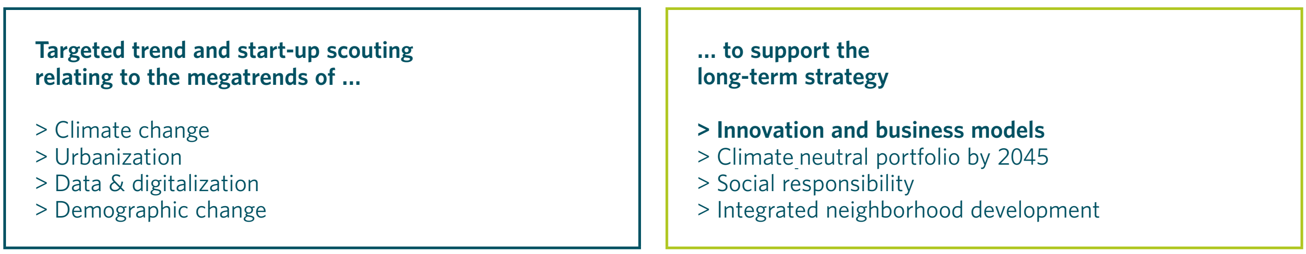


Customer-Centric Solutions and Processes

The iterative innovation process within the Group is steered by company-wide innovation management at all stages in the project pipeline to ensure that new ideas meet the needs of our tenants from the design stage until they are ready to go into production. The focus when it comes to generating new ideas is on the "open innovation" approach. In addition to using various tools to identify trends and topics, ideation workshops are also conducted with various stakeholders. This has allowed a large number of new ideas to be generated. The company's internal innovative strength is bolstered by start-up scouting and bilateral cooperation initiatives in different areas of the Group.

Among other things, use cases have been put out to tender in cooperation with the local start-up alliance Gründerallianz Ruhr and joint projects have been launched with deep-tech start-ups. In addition to collaborations with external ecosystems, the company also promotes strategic partnerships with universities and research institutions. One example is the Neighborhood Academy, which was established in collaboration with EBZ Business School in Bochum to address hands-on case studies relating to megatrends.

Start-up Scouting as a Strategic Focal Point of the Innovation Process



Establish Data Infrastructure for Greater Transparency and Efficiency

In the context of megatrends and technological advances in the building sector, the focus is on advancing data-driven use cases to boost transparency and efficiency. This also creates a basis for developing innovative products and services for our customers. Vonovia sees advanced analytics as a key driver in the development of new business models.

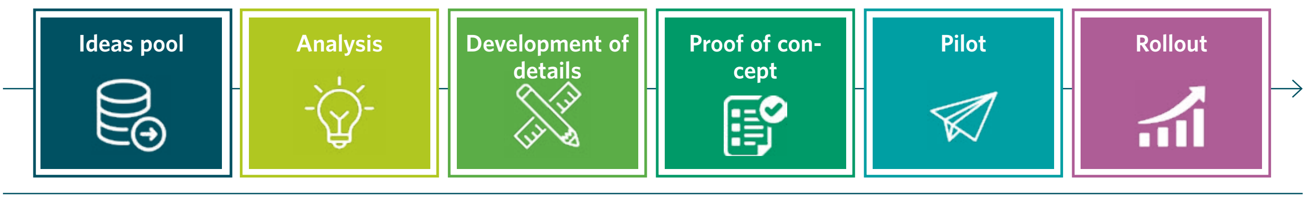
Within this context, Vonovia is systematically developing and expanding its existing data infrastructure to include, for instance, innovative location analytics approaches. As part of the collaboration with Gründerallianz Ruhr, a proof-of-concept phase was launched with two European start-ups in 2021. Points of interest and a large number of freely available data points relating to conditions in more than 500 neighborhoods and their direct surroundings can now be visualized in an interactive map application. This allows empirical knowledge that was previously fragmented at a local level to be accessed from a central source. It is also expected that extensive use of data will allow Vonovia to provide future customers with clear added value in the form of customized housing options. Within this context, Vonovia is consistently committed to systematically considering all relevant aspects of data protection.

Vonovia has developed the decarbonization tool together with “right.based on science” and “d-fine” in order to define a long-term climate strategy and track its targets accurately. This tool creates a digital inventory of all of Vonovia’s buildings and their energy data. A climate path is simulated for each building and can be shown on an aggregated basis at different spatial levels. Calculating the X-Degree Compatibility indicator allows Vonovia to identify the portfolio’s long-term impact on the climate. This produces transparent information on whether each building contributes to Vonovia’s climate target.

Scaling of Innovations

Vonovia can look back on various projects that were implemented successfully in 2021 and progressed from an initial idea to a scalable innovation. This has allowed new business models and services to be established.

A Strict Innovation Process



The mounting of photovoltaic modules on the thousandth roof laid the foundation for sustainability and the commercial use of renewable energies. The focus now is on scaling the installation of photovoltaic systems to supply entire neighborhoods with sustainable energy. The installation capacities will be increased ten-fold in the medium term, with photovoltaic systems with an output of more than 200 MW_p being installed on roofs between now and 2030. Up to 100 employees will be hired in the future to work in planning and installation in order to complete this project. Roof inspections are also to be made more efficient using drones to generate digital 3D roof models. What is more, preassembled sub-systems will be used in the future so that photovoltaic modules can be mounted to large roof areas as part of an automated process. In 2021, the installation of all photovoltaic systems was switched over to landlord-to-tenant electricity in order to allow tenants to participate in local electricity generation in the neighborhood by offering direct green electricity, and to allow Vonovia to offer an affordable green electricity product.

As part of the EU Interreg project “Mustbeo” for North-West Europe, the very first energy-efficient refurbishment project based on the Energiesprong principle is being implemented in Bochum. This innovative building upgrade solution is defined as a key component of the climate path as we move towards a portfolio that is as close to carbon-neutral as possible. The project comprises three residential buildings with 24 apartments and 1,164 m^2 of living area. The method uses serial refurbishment to achieve the quick and effective retrofitting of the buildings, which are climate-neutral after refurbishment (net zero standard). The building data is recorded using 3D scans and insulating facade elements are prefabricated to fit to the millimeter and only have to be assembled on the construction site. Suitable photovoltaic modules are also installed and the heating system is upgraded, including the switch to efficient heat pumps. The focus is also on innovative procurement and recycling processes in line with the sustainability strategy. The technologies already in use are also reviewed on an ongoing basis to identify potential for process optimization. The aim is to ensure a high level of living comfort by keeping refurbishment times to a minimum.

More and more digital technologies are making their way into Vonovia’s buildings. Almost all elevators already send information on their operating status to the technical control center in real time. The information on the elevator systems is consolidated and displayed on a digital platform and provides an overview of statistics, reports and operating data. The use of Internet of Things (IoT) technologies, which facilitate data-led decisions and help to analyze the technical condition effectively from any location, play a key role in this process. Another technology involves the remote monitoring of central heating systems in existing buildings, which will be rolled out as standard in 2022. This allows CO_2 emissions from buildings to be reduced through optimized control, while also establishing a significantly improved reporting chain allowing any faults to be resolved more quickly than in the past.

Non-financial Group Declaration

Explanatory Information on the Content of the Report and the Framework

The scope and quality of company reporting on sustainability topics continues unabated and continues to evolve into an integrated reporting. Major elements of a sustainable corporate direction can already be found in the risk assessment, but also in the strategy description and the governance report.

Vonovia attaches exceptional importance to a high degree of transparency toward numerous stakeholder groups. We keep pace with the evolving needs of actors on the capital market and are coming ever closer to integrated reporting. With this in mind, the non-financial Group Declaration makes reference to chapters in the management report in which disclosures required here are reported on; this is the case, for example, in the description of the business model and the risk assessment. As such, we are underscoring our understanding of a sustainable business model in which all three dimensions of sustainability (ESG) are embedded within our sustainability strategy. See also the chapter entitled → **Fundamental Information About the Group**.

Vonovia SE's corporate reporting includes a Non-financial Group Declaration, which has its legal basis in Sections 315b, 315c in conjunction with Section 289c to 289e HGB. The framework provided by the Global Reporting Initiative (GRI) for sustainability reporting and the UN Global Compact were taken into account when preparing this declaration. These standards also serve as a guide for the sustainability report. We also use the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD), which we describe in the section entitled → **Environmental Issues**. The provisions of the delegated act for Regulation (EU) 2020/852, subject to application of Articles 8 and 10 (EU taxonomy), are described for the first time in the → **EU Taxonomy** section of this non-financial Group Declaration.

On September 30, 2021, Vonovia took control of Deutsche Wohnen. Therefore, this is the date of first-time consolidation. The successful takeover of Deutsche Wohnen lays the foundation for tackling the central social and environmental challenges of the housing industry even more effectively and forming a leading European real estate company. The integration process, which will begin in 2022, is scheduled for completion by the start of 2023. The Group-wide integration process encompasses the consolidation of concepts, applied due diligence processes, and goals and events relating to the non-financial topics determined in the Vonovia materiality process pursuant to Section 289c of the German Commercial Code (HGB). See also the chapter entitled → **Fundamental Information About the Group**.

Therefore, Deutsche Wohnen SE is included in the consolidated financial statements and the Non-financial Group Declaration of Vonovia SE for the first time starting October 2021. To this end, an analysis of the non-financial performance indicators and materiality assessments of the two companies was performed. As part of the comparison of → **material sustainability topics** and identified non-financial performance indicators, it was determined that these only diverge slightly from each other.

In the analysis of key performance indicators in this Non-financial Declaration, the Group indicators of Vonovia are decisive in the selection of indicators and their definitions. This also applies to the description of concepts and their implementation. As part of the integration of Deutsche Wohnen, the extent to which an adjustment is required in this regard is being reviewed. Wherever possible, an attempt was made – in order to ensure the comparability of data – to consolidate the key figures of Deutsche Wohnen or to approximate their definition in the disclosures. This is not possible with respect to all key performance indicators, as the company-wide guidelines for calculating key figures will only be implemented in full during the integration process. We refer to any existing differences in the disclosure for the key figure concerned. Prior-year figures have not been adjusted.

The main relevant non-financial performance indicators are reported – together with information on the underlying concepts and objectives – in the individual chapters covering the content in question. These are allocated to the legally mandated aspects – environmental matters, social matters, employee matters, combating corruption and bribery, and observance of human rights. The key figures and the corresponding qualitative disclosures of the Vonovia Group in the section entitled "Taxonomy" also include information provided by Deutsche Wohnen on the EU taxonomy.

Six of the key figures listed in the Non-financial Group Declaration are non-financial governance indicators within the meaning of GAS 20, Paragraph 101 in conjunction with Paragraph 106. These are the key figures that together constitute the Sustainability Performance Index (SPI) since its introduction in 2021. The SPI, which is derived from the material sustainability topics, is a vital instrument in terms of managing our sustainable activities. It represents the leading non-financial performance indicator applicable for the Vonovia Group. Correspondingly, the six sub-indicators – and the related targets for the 2022 fiscal year – are reported in a non-consolidated manner with Deutsche Wohnen. We will report an integrated SPI for the first time in the 2023 fiscal year, following completion of the integration process. For more information, see the chapter entitled → **Management System**. Likewise with respect to the further key performance indicators, the targets outlined apply solely for Vonovia due to the fact that integration has not yet been completed.

The company's activities in Austria and Sweden are also covered by this Non-financial Group Declaration. This initially concerns the qualitative presentation of the non-financial information of the business entities. Due to the ongoing integration of the corresponding processes, the full consolidation of the key performance indicators is still in the implementation phase. With respect to each key performance indicator, we make reference to the degree of KPI integration.

This Non-financial Group Declaration supplements our comprehensive sustainability reporting, which has also already been firmly established, in the form of our dedicated Sustainability Report. The Sustainability Report contains further extensive information on individual non-financial topics as well as further examples of implementation and key figures. The Sustainability Report for the 2021 reporting year will be published in the second quarter of 2022. You will find further supplementary information on the website of the Investor Relations department, as well as access to numerous → **commitments and guidelines**. Sustainability reporting is also complemented by participation in numerous ESG ratings.

Both the Non-financial Group Declaration and the Sustainability Report are → **audited by the auditor of the annual financial statements**. All references to content outside the Non-financial Group Declaration are further information and are not covered by the audit performed by KPMG. An exception to this rule applies to references to further chapters of the management report. These are covered by the audit.

Sustainability Management at Vonovia

Our business model is integrated into social and ecological change processes. In recent years, we have continuously enhanced our successful strategy, adding sustainability aspects. In the process, we have made considerable headway in terms of embedding sustainability in the company's business processes. With the launch of the SPI in 2021, these are linked to clear and remuneration-relevant targets for the Management Board and senior management (the first tier below the Management Board). The → **non-financial performance indicator** SPI comprises six indicators based on the material topics of Vonovia. These comprise the carbon savings achieved annually in housing stock, the energy efficiency of new buildings, the share of accessible (partial) modernization measures in relation to newly let apartments, the increase in customer and employee satisfaction and diversity in the company's top management team. The SPI achieved an index value of 109% in the reporting year. For a more detailed description of our sustainable business model, please refer to the chapter entitled → **Fundamental Information About the Group**.

The Vonovia sustainability ethos illustrates how we understand sustainability at the company. It is published on our **Investor Relations website**.

At Vonovia, sustainability lies at the very top level of management. The individual responsible for the issue of sustainability is the Chief Executive Officer of Vonovia SE, Rolf Buch. On the part of the Supervisory Board, the Audit Committee, in particular, performs the corresponding control function.

Central coordination of sustainability activities is the responsibility of the Sustainability/Strategy department, which reports directly to the CEO. Its core duties include, in particular, the further development of the sustainability strategy, the definition and monitoring of sustainability objectives, the providing of impetus and the implementation of sustainability projects. It also handles sustainability reporting, which includes not only sustainability reporting within the annual report, but also the preparation of the sustainability report and the management of numerous ESG ratings.

A sustainability committee meets three to four times a year – as required – to discuss the overall strategic direction and to evaluate the company's sustainability performance. The committee comprises the entire Management Board (including the chief representatives), as well as the heads of Sustainability, Corporate Communications, Controlling, Accounting and Investor Relations. This ensures that decisions on the implementation of our sustainability strategy are borne by all relevant divisions and all the way through to local implementation levels.

The operational implementation of sustainability aspects takes place in all relevant departments and in our local neighborhoods in the various regions.

In Austria and Sweden, sustainability coordination is embedded in the relevant staff positions. They coordinate the interaction between the Sustainability/Strategy department and the individual countries, as well as the country-specific sustainability strategies pursued by the Austrian BUWOG companies and the Swedish company Victoriahem (until December 31, 2021 Victoria Park/Hembla). In order to take the development business of the German company BUWOG into account, a coordination function for sustainability has been set up there, too.

Risk Assessment Based on Sustainability Aspects

The analysis and assessment of risks, taking into account sustainability considerations, plays a major role for Vonovia. With the integration of such sustainability risks in the company's risk management system, which was completed in 2020, we pay such risks due consideration. We not only analyze the risks in relation to business operations (outside-in perspective), but also in relation to the possible impacts on the environment and society (inside-out perspective). We provide information on these risks, as well as on the reconciliation of the Deutsche Wohnen risk assessment, in our → **Opportunities and Risks** report.

In the Non-financial Group Declaration, material risks associated with the Group's own business activities – and business relations or products and services of the Group – which are very likely to occur and which could have very challenging negative effects on non-financial topics must be reported. On the basis of the risk analyses performed separately for Vonovia and Deutsche Wohnen and in the opinion of Vonovia's management, there are **no non-financial risks** that meet the materiality criteria pursuant to Section 289c (3) Nos. 3 and 4 HGB in net terms.

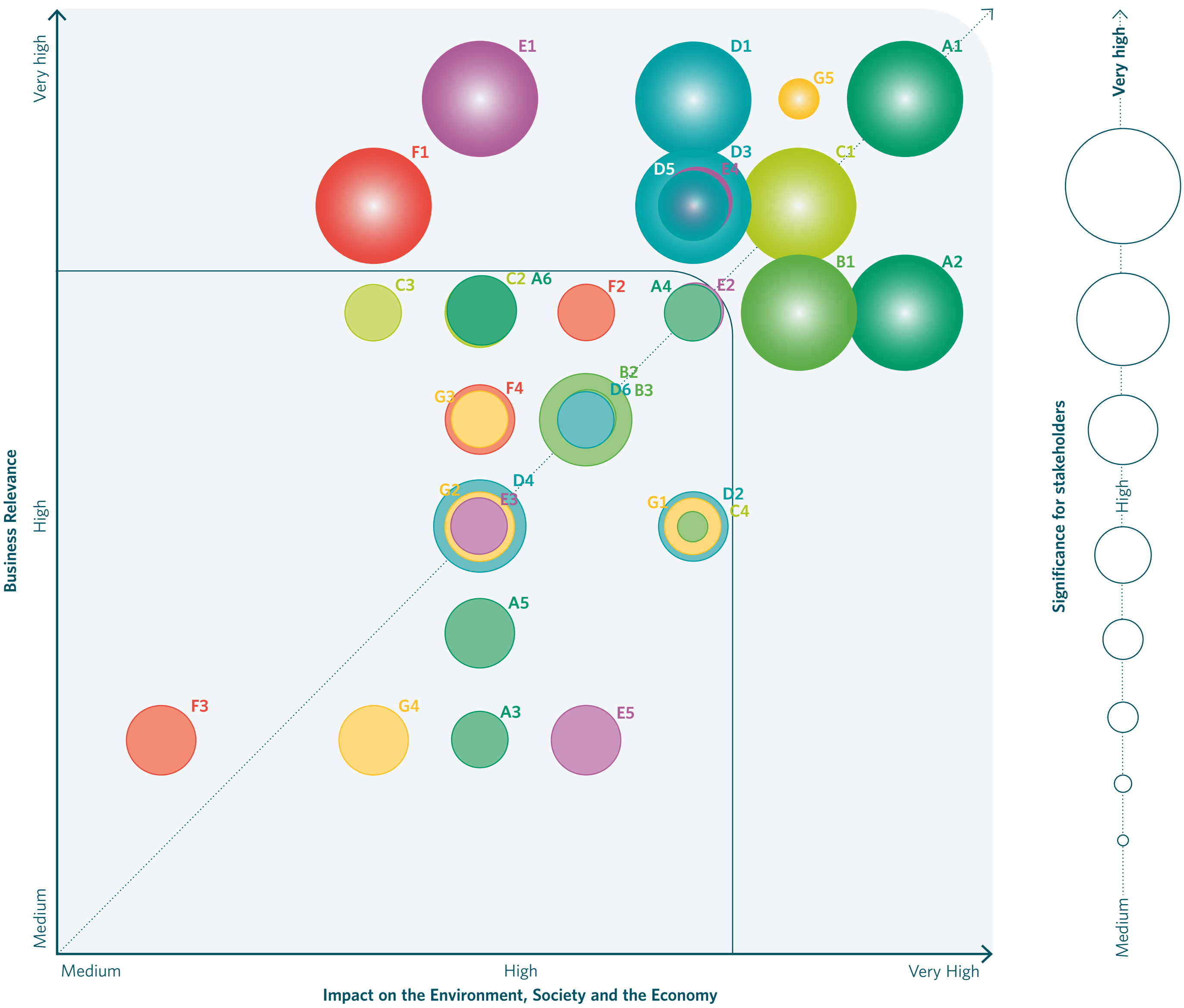
Key Sustainability Aspects at Vonovia

A home is a basic human need. We meet this basic need by creating new living space and letting existing living space. We do so responsibly and sustainably by paying attention to the environmental footprint of our buildings and by having committed to the goal of climate-neutral housing stock. We also do so by living up to our social responsibility and offering residential units at fair prices for different groups within society. We do so through a governance structure that meets high value benchmarks and that is well suited to being perceived as trustworthy and reliable by our stakeholders.

Vonovia systematically manages the main sustainability topics for the company on the basis of three dimensions: the relevance of social and environmental changes on the business and on value creation (outside-in perspective), the impacts of the business model and company activities on the environment and society (inside-out perspective), and from the viewpoint of our relevant stakeholder groups. The **materiality matrix** that builds on this categorizes eleven material topics – which will be explained in more detail in the subsequent chapters of this Non-financial Group Declaration – and 22 further important sustainability topics within seven areas for action.

The materiality analysis of sustainability topics for Vonovia SE, newly prepared in the previous fiscal year, remains in place unchanged and represents the leading system for the non-financial topics.

Materiality Matrix



Action Area A: Environment and Climate

A1 Carbon reduction in the property portfolio/energy-efficient modernization
A2 Renewable energies and energy mix
A3 Energy efficiency and carbon reductions in operations
A4 Innovations for climate and environment
A5 Water, effluents and waste
A6 Biodiversity

Action Area B: Sustainable Construction and Development

B1 Sustainable construction and refurbishment
B2 Sustainable materials and products
B3 Social and environmental standards in the supply chain

Action Area C: Society and Contribution to Urban Development

C1 Community development and contribution to infrastructure
C2 Inclusion, diversity and social cohesion
C3 Involvement and participation
C4 Shaping political dialogue

Action Area D: Homes and Customers

D1 Living at fair prices
D2 Contribution to new build projects in metropolitan areas
D3 Homes that meet people's needs and transformation due to demographic change
D4 Maintenance of existing properties
D5 Customer satisfaction and service quality
D6 Dialogue with tenants

Action area E: Corporate Culture and Employees

E1 Attractiveness as an employer
E2 Training and personal development
E3 Fair and appreciative remuneration
E4 Approach to diversity and equal opportunities
E5 Promoting health and safety

Action Area F: Governance and Responsible Business Practices

F1 Governance and compliance
F2 Stakeholder orientation
F3 Respect and promotion of human rights
F4 Information management and data protection

Action Area G: Future Fitness and Capital Market

G1 Sustainable and long-term growth
G2 Managing opportunities and risks
G3 Digitalization of processes
G4 Sustainable relationships with business partners
G5 Attractiveness on the capital market

Material topics are defined by their high significance for at least two of the following three dimensions: impact on the business and value creation, impact of the business model on the environment and society, and the perspective of relevant external stakeholder groups.
Material topics are marked in bold.

In preparation for the business combination of Vonovia with Deutsche Wohnen, we compared the sustainability analyses of both companies in a first step, assigning the Deutsche Wohnen sustainability topics to those of Vonovia. On account of the similar business models and approaches, we have determined that there is, as expected, significant alignment between the material topics and their evaluation; this means that virtually all material topics of Deutsche Wohnen can be integrated within the structure of Vonovia and reconciled with the material topics of Vonovia. The two material topics of Deutsche Wohnen – "Customer health and safety" and "Transparency and dialog with stakeholders" – dovetail with further important sustainability topics of Vonovia and are described in more detail in the sustainability report. We refer to other relevant differences in the chapters concerned in this Non-financial Group Declaration.

The complete consolidation of concepts, targets and measures within the material non-financial topics identified in the Vonovia materiality process will be achieved as part of the integration process in 2022. For the 2021 fiscal year, Deutsche Wohnen SE is preparing its own non-financial Group declaration, taking into account all material topics of Deutsche Wohnen.

In terms of the direction of its sustainability strategy, Vonovia is also guided by international standards and frameworks, such as the Sustainable Development Goals (SDGs) and the UN Global Compact. As a company with international operations, we aim to contribute to achieving these goals with our business in Germany, Austria and Sweden. To this end, we have identified **eight central SDGs** that guide our actions (see also the SDG policy at **Investor Relations website**). We show our progress in terms of achieving these goals, especially in our sustainability report.

Key SDGs for Vonovia

Taxonomy

Background and Objectives of the EU Taxonomy

The EU Commission has set out the "Sustainable Finance" action plan, which seeks to 1) promote sustainable investment, 2) tackle financial risks arising from climate change, resource scarcity, environmental destruction and social problems and 3) boost transparency and long-term focus in the area of financial and economic activity. One concrete measure of the action plan is the introduction of a sustainability taxonomy, which has been established through the Taxonomy Regulation[1]. The EU taxonomy, which came into force midway through 2020, constitutes a classification system for environmentally sustainable economic activities. Starting from the 2021 fiscal year, this gives rise to a reporting obligation for Vonovia with respect to the disclosures required by the EU taxonomy; we are hereby meeting this reporting obligation.

In particular, listed industrial companies must state the following key performance indicators ("KPIs") in their non-financial Group Declaration[2]: Disclosure of the share of revenue generated with products/services that are associated with economic activities to be classified as environmentally sustainable. In addition, disclosure of the shares of investment ("CapEx") and operating expenses ("OpEx") in association with assets or processes that are associated with economic activities to be classified as environmentally sustainable.

Only those economic activities currently outlined in the Annexes to the delegated act on EU taxonomy (Annex I) or for the purpose of adapting to climate change (Annex II)[3] are eligible for taxonomy in the first stage. Further delegated acts to specify additional environmental objectives are expected and will then be taken into consideration accordingly.

1 Cf. Regulation (EU) 2020/852 (hereinafter referred to as the "EU Taxonomy").
2 Cf. Article 8(2) of Regulation (EU 2020/852) and Delegated Regulation (EU) of July 6, 2021 supplementing Regulation (EU) 2020/852 (hereinafter referred to as the "Delegated Act on Article 8 on the content and presentation of the information to be disclosed").
3 Cf. Delegated Regulation (EU) of 4 June 2021 supplementing Regulation (EU) 2020/852 (hereinafter referred to as "Annex I and Annex II of the Delegated Act on the climate targets of the EU taxonomy").

The performance indicators are ultimately designed to provide information about the share of taxonomy-aligned and therefore sustainable economic activities. A determination of taxonomy eligibility requires that the eligible economic activity concerned 1) makes a significant contribution to the attainment of one or more environmental objectives, 2) does not significantly impair any other environmental objective and 3) is carried out in compliance with the minimum requirements for occupational health and safety and human rights. With respect to the first two steps, the technical evaluation criteria for the individual climate objectives are defined in Annex I and Annex II of the delegated act, observance of which is a prerequisite for classification of an activity as taxonomy-aligned.

The EU taxonomy formulates six environmental objectives:

> Climate change mitigation
> Climate change adaptation
> The sustainable use and protection of water and marine resources
> The transition to a circular economy
> Pollution prevention and control
> The protection and restoration of biodiversity and ecosystems.

The initial reporting obligation with respect to the EU taxonomy for the 2021 fiscal year encompasses the first two environmental objectives, i.e., climate change mitigation and climate change adaptation. On the basis of the relief provisions[4] applicable for the 2021 fiscal year, we disclose taxonomy-eligible and non-taxonomy-eligible economic activities as a share of revenue, CapEx and OpEx. Starting in the 2022 reporting year, entities are required to report on the compliance of economic activities with the EU taxonomy. Starting in the 2023 reporting year, the disclosure of prior-year figures is mandatory.[5]

Reporting Principles

Identification and Categorization of Economic Activities Eligible for Taxonomy

Based on Annex I and Annex II of the delegated act on the climate targets of the EU taxonomy, Vonovia has analyzed all activities and determined those that are deemed eligible for taxonomy based on the descriptions in the taxonomy and, where applicable the supplementary NACE codes[6].

Alongside the letting of housing, our business model includes the development and construction of new rental units for the company's own stocks and for the purpose of sale. Vonovia is also a modern provider of housing-related services, such as energy services, senior-friendly apartment modernization, and caretaker and craftsmanship services.

For our company, we have identified the following activities as being environmentally sustainable and therefore eligible for taxonomy:

> 4.1 Electricity generation using solar photovoltaic technology[7]
> 7.1 Construction of new buildings[8],
> 7.2. Renovation of existing buildings
> 7.3 Installation, maintenance and repair of energy efficiency equipment
> 7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)
> 7.5. Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings
> 7.6. Installation, maintenance and repair of renewable energy technologies and
> 7.7 Acquisition and ownership of buildings[9].

4 Cf. Article 10(1) of the Delegated Act on Article 8 on the content and presentation of the information to be disclosed.
5 Cf. Article 8(3) of the Delegated Act on Article 8 on the content and presentation of the information to be disclosed.
6 NACE is the European standard classification of productive economic activities. NACE presents the universe of economic activities partitioned in such a way that a NACE code can be associated with a statistical unit carrying them out.
7 Construction or operation of power plants that generate electricity using photovoltaic (PV) technology (in particular NACE codes D.35.11 and F.42.22).
8 Development of construction projects for residential and non-residential buildings by combining financial, technical and material resources to realize the construction projects for subsequent sale and construction of entire residential and non-residential buildings for the company's own account to be sold on, or on a fee or contract basis (in particular NACE codes F.41.1 and F.41.2, which also include activities with NACE code F.43).
9 This includes residential, commercial and nursing care properties.

Performance Indicators

Definition and Calculation Method

In order to calculate the taxonomy-eligible shares, we proceeded as follows. Calculation of the performance indicators is based on the accounting and measurement methods of the consolidated financial statements. The consolidated financial statements of Vonovia are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted in the EU.

In order to calculate the KPIs reportable in accordance with taxonomy, which are presented as percentages, the taxonomy-eligible net revenue, CapEx and OpEx are determined in relation to total net revenue, total CapEx and total OpEx. The definition of each KPI is based on Annex I of the Delegated Act on Article 8 on the content and presentation of the information to be disclosed.

Revenue

The taxonomy-eligible net revenue (numerator) comprises amounts that were generated from taxonomy-eligible economic activities (see also the chapter entitled "Categorization of relevant taxonomy-eligible economic activities").

$$\frac{\text{Taxonomy-eligible net revenue}}{\text{Total net revenue}}$$

In the numerator (total net revenue), Group revenue from the income statement is used in the calculation of the taxonomy-eligible revenue. For more details on accounting methods, please refer to the accounting and valuation methods within the Notes to the IFRS consolidated financial statements (Section (B): Profit for the Period, Chapter [B10] Income from property management, Chapter [B11] Profit on the disposal of properties and Chapter [B12] Profit on the disposal of properties (Development).

CapEx and OpEx

The taxonomy distinguishes between three different types of taxonomy-eligible CapEx and OpEx (numerators):

> CapEx/OpEx A,which relates to assets or processes associated with economic activities that are taxonomy-eligible, or
> CapEx/OpEx B, which is part of a plan to expand taxonomy-aligned economic activities (e.g., through the initiation of a new economic activity) or part of an upgrade plan for the conversion of taxonomy-eligible activities into taxonomy-aligned activities (e.g., through the energy modernization of a property classed as investment property ("CapEx Plan"[10])), or
> CapEx/OpEx C, which relates to the acquisition of products and services from taxonomy-eligible economic activities or individual measures through which the activities are carried out in a low-carbon manner or the emission of greenhouse gases is lowered, and insofar as these measures are implemented and operational within 18 months.

$$\frac{\text{Taxonomy-eligible CapEx}}{\text{CapEx}} \qquad \frac{\text{Taxonomy-eligible OpEx}}{\text{OpEx}}$$

Pursuant to the EU taxonomy, the numerator of CapEx consists of additions to property, plant and equipment and intangible assets (including additions from business combinations) before depreciation and amortization, including depreciation and amortization from remeasurements and impairments, without taking into account changes to fair value. As such, Vonovia incurs costs that are recognized as additions on the basis of IAS 16.73(e) (i) and (iii), IAS 38.118(e) (i), IAS 40.76(a) and (b) and IFRS 16.53(h) pursuant to this definition[11, 12].

Pursuant to the EU taxonomy, the OpEx numerator encompasses direct, non-capitalized costs relating to research and development, building renovation measures, short-term leasing, maintenance and repair, as well as all direct expenses in connection with day-to-day maintenance of property, plant and equipment that are necessary in order to ensure the continuous and effective functionality of these assets. To this extent, this is an addition to the performance indicator of the recognized CapEx values rather than a full presentation of the OpEx of Vonovia, as shown under Section (B) Profit for the Period, Chapter [B15] Cost of Materials in the Notes to the consolidated financial statement. We regard direct costs as those costs that can be clearly and directly attributed to an identified activity, but not to a specific building. Pursuant to the requirements, we include costs for building renovation measures and costs for maintenance and repair when defining the denominator. With respect to direct expenses, costs for maintaining the functionality of property, plant and equipment are included. Expenses for research and development and short-term leasing are usually capitalized and therefore part of CapEx.

10 The CapEx plan to be published needs to be approved by the management (directly or indirectly by way of delegation) and generally covers a period of five years.
11 With regard to economic activity 7.1 New construction, the corresponding properties do not constitute fixed assets but rather are reported within current assets in the real estate inventories (Chapter [D35] Real Estate Inventories), with IAS 2 Inventories being applied as the relevant IFRS standard. As IAS 2 Inventories does not fall within the scope of CapEx as defined by the EU Taxonomy, the real estate inventories do not form part of the denominator.
12 The numerator used in the CapEx KPI is calculated by analyzing the assets or processes related to the CapEx covered by the numerator to determine their taxonomy-eligible status. With regard to developed land, the CapEx for buildings and land has been included as additions, as economic activity 7.7. cannot be performed without the relevant land. In addition, as the building is one of the key components of a plot of land, the building and the plot of land are considered one and the same legal entity.

The denominator includes direct non-capitalized operating expenses in connection with the day-to-day maintenance of property, plant and equipment that are necessary to maintain the continuous and effective functionality of these assets.

Supplementary Disclosures
Duplicate counting is avoided by means of direct allocation of the taxonomy-eligible revenue, CapEx and OpEx to a taxonomy-eligible economic activity.

Shares of Performance Indicators That Are Associated with Taxonomy-eligible and Non-taxonomy-eligible Economic Activities

In order to comply with regulatory requirements for the 2021 fiscal year, Vonovia discloses the following shares in performance Indicators that are associated with taxonomy-eligible and non-taxonomy-eligible economic activities. The key figures shown relate solely to the legally required disclosures pertaining to the first two environmental objectives of climate change mitigation and climate change adaptation.

CapEx for 2021 is heavily influenced by the business combination with Deutsche Wohnen. Deutsche Wohnen is included in three months of OpEx and revenue (October to December).

in %	Share of taxonomy-eligible economic activities	Share of Taxonomy-non-eligible activities
Net Turnover	97	3
CapEx	98	2
OpEx	94	6

The largest share of taxonomy-eligible revenue is attributable to activity 7.7 “Acquisition and ownership of buildings.” In addition to these revenues, revenues from 7.1 “Construction of new buildings” and 4.1 “Electricity generation using solar photovoltaic technology” are also eligible for taxonomy. Non-taxonomy-eligible revenues include revenues from management of residential property, energy distribution and multimedia.

The activities 7.7 “Acquisition and ownership of buildings” and 7.2 “Renovation of existing buildings” account for a large share of CapEx. Non-taxonomy-eligible CapEx results chiefly from undeveloped land, technical equipment and goodwill.

The OpEx includes maintenance expenses from the income statement including those that were the internal craftsmen’s organization. In order to prevent double counting, the capitalized share already included in CapEx has been deducted. Maintenance expenses for property management, on the other hand, are not eligible for taxonomy.

On February 2, 2022, the European Commission published a second FAQ document addressing questions regarding the interpretation of Article 8 of the EU Taxonomy Regulation. This interpretation guidance came too late in the financial statement preparation process for the Vonovia Group and could not be implemented in the current financial statements. The corresponding comments in the FAQ document could only be taken into account for the second environmental objective, climate change adaptation, when determining the activities eligible for taxonomy. The interpretation issues will be evaluated and implemented in the taxonomy reporting processes for 2022.

Outlook for the 2022 Reporting Year

As described in the section “Background and Objectives of the EU Taxonomy,” relief provisions apply for the 2021 reporting year that only require the disclosures stated above. Further details will be provided for the 2022 reporting year. These include on the one hand the breakdown of KPIs into various activities and, on the other, the additional disclosure of compliance.

The significant CapEx influence of the Deutsche Wohnen acquisition will no longer be reflected in the figures next year. By contrast, the revenue and OpEx will reflect twelve months of Deutsche Wohnen.

Reporting on Aspects of the Non-financial Group Declaration

The Non-financial Group Declaration sets out the relevant concepts, the accompanying due diligence processes, the results of the concept and the status of implementation of the measures for each material topic.

Ten out of the eleven topics that are material for Vonovia can be allocated to the aspects covered by the German Commercial Code (HGB) in the context of the Non-financial Group Declaration:

> Environmental issues: Reducing CO_2 in the real estate portfolio & energy-efficient modernization/renewable energies and energy mix/sustainable new construction and refurbishment

> Social issues: Neighborhood development and contribution to infrastructure / fairly priced housing / homes that meet tenant needs and action in response to demographic change / customer satisfaction and service quality
> Employee issues: Appeal as an employer / approach to diversity and equal opportunities
> Combating corruption and bribery: Governance and compliance

“Attractiveness on the capital market” has been identified as an additional material topic for Vonovia. Information on the “Respect for Human Rights” aspect, which is a requirement under the German Commercial Code, is also reported in the Non-financial Group Declaration.

Environmental Issues

Environmental issues include the following material topics for Vonovia: “Reducing CO_2 in the real estate portfolio / energy-efficient modernization,” “Renewable energies and energy mix,” “Sustainable new construction and refurbishment” (see → **materiality matrix**). The Group guidelines, concepts and processes of Vonovia are decisive in terms of describing the concepts and their implementation. As part of the pending integration of the company Deutsche Wohnen acquired by us, these guidelines, concepts and processes will also be transfered to the acquired business activities.

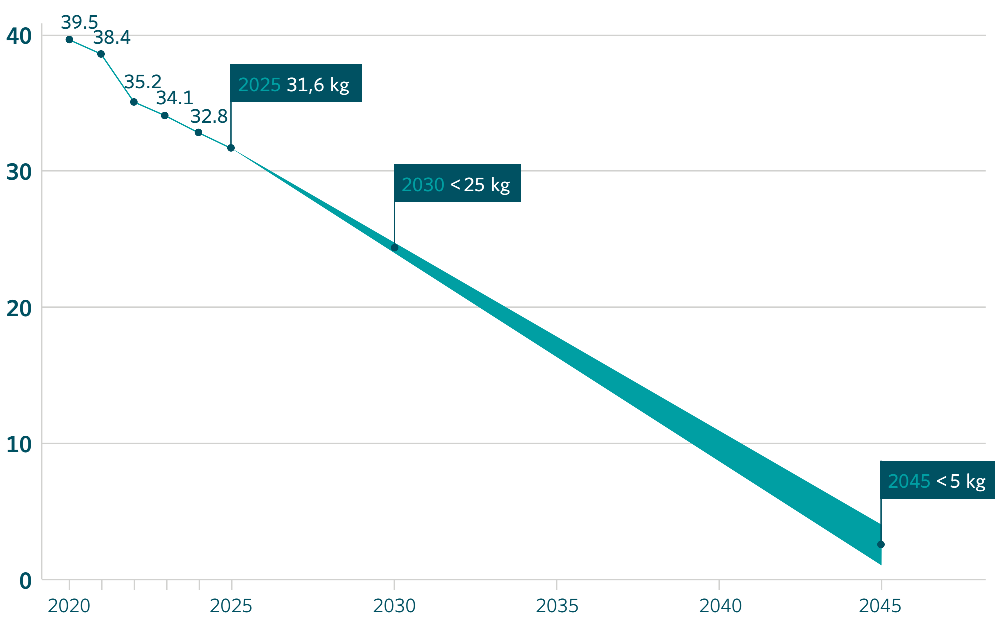
Unless stated otherwise, the concepts presented for the reporting year apply to the Vonovia Group excluding Deutsche Wohnen.

We regard the mitigation of global warming and the protection of natural resources for life on earth as the most important challenge facing society as a whole in our time. Therefore, environmental and climate protection is accorded paramount importance within our sustainability strategy. Vonovia supports targets set at international level, such as the Paris Agreement and the European Union Green Deal, as well as those set at national level, such as the goal set by the German Federal Government this year to achieve climate neutrality by 2045.

As the housing industry market leader in Europe, we aim to be a central driving force behind climate protection. With our own real estate portfolio of 565,334 residential units (including Deutsche Wohnen) and our extensive development activities, we possess significant levers for environmental and climate protection. In this regard, we place CO_2 emissions at the forefront; these arise through the provision of our buildings with heating and hot water (so-called Scope 1 and 2 emissions), with the majority of our portfolio located in Germany. However, we are also paying increasing attention to CO_2 emissions from the upstream value chain and other environmental aspects.

Vonovia Climate Path: Portfolio Decarbonization Strategy

CO_2 intensity in kg CO_2e/m^2a*



The 3 elements of the climate path

1
> Continuation of comprehensive energy efficient refurbishment

2
> Replacement of conventional heating units with hybrid systems and heat pumps
> Photovoltaic systems on all suitable roofs
> Establishment of a local heating network in the neighborhood with renewable energies

3
> Conversion of the energy sector to carbon-free district heating and green electricity

* Includes scopes 1 & 2 as well as scope 3.3 “Fuel- and energy-related activities upstream”; referring to German building stock without Deutsche Wohnen. Development of the energy sector according to the Agora Energiewende KND 2045 scenario; comparison: CRREM path MFH 1.5° DE 2045 = 5.4 kg/CO_2/m² (July 2021); development of climate path supported by Fraunhofer ISE.

In the reporting year, we further developed our climate strategy and redefined our goal. In light of the new Federal Climate Change Act and the sector targets contained therein, we have set the target of achieving a virtually climate-neutral building portfolio by 2045, with a CO_2 intensity of less than 5 kg of CO_2 equivalents per m^2 of rental area. By 2030, we aim to achieve a CO_2 intensity of less than 25 kg CO_2e/m^2. These targets were once again developed through interdisciplinary consultation between various functional departments with the support of science (Fraunhofer ISE) and go further than the recognized 1.5° target pathway of the Carbon Risk Real Estate Monitor (CRREM) for multi-family homes in Germany (as of 07/2021). The Vonovia climate targets are contingent not only on a comprehensive improvement of the building portfolio's energy efficiency through energy efficiency modernization, and an increased share of renewable energies in our neighborhoods but also on a profound transformation of the energy sector. As such, the provision of sufficient volumes of carbon-free district heating and electricity by the energy sector, coupled with a more rapid phase-out of coal, as described in the Coalition Agreement, are fundamental prerequisites for a climate-neutral buildings sector.

With respect to the attainment of our climate target and the targets of the housing sector as a whole, we continue to regard the right subsidy instruments and the removal of legal hurdles as decisive. After all, we believe that for climate-neutral housing to be a success and also remain affordable, there is a need not only for commitments and investments but also for ambitious and long-term partnerships and, in particular, changes in the overall political conditions. As part of the complete implementation of the business combination with Deutsche Wohnen, we will also incorporate the additional building stocks within our climate strategy and objectives.

The development of our climate path is part of our systematic response to the impact of climate change on our business development. In developing this course further, we not only consider the risks – such as those relating to our future business operations due to rising prices for the generation of CO_2 emissions and those relating to our buildings due to the impacts of climate change – but also the opportunities, such as those associated with climate-resilient and exceptionally competitive neighborhoods. The recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD) constitute important guidance in this regard.

Implementation of the TCFD Recommendations at Vonovia

Content of the recommendations	Implementation at Vonovia	Further information
Governance		
Organizational structure of the company regarding climate-related risks and opportunities	> The entire Management Board bears responsibility for sustainability and climate protection, as well as climate-related risks and opportunities > Sustainability Committee – comprising the entire Management Board and representatives of the central functional departments Sustainability/Strategy, Controlling, Communication, Investor Relations and Accounting – determines the strategy and targets and monitors progress > The central department Sustainability/Strategy, within the executive division of the CEO, coordinates and drives the measures and their implementation > Climate-related risks are calculated and collated on a half-yearly basis as part of the company-wide risk management process; the process is coordinated by Controlling, with the Management Board taking the final decision on risk assessment > Energy efficiency modernization in the existing portfolio in Germany is the responsibility of the CRO (Regions and Portfolio Management); for Austria, the CDO is responsible, for Sweden, the CEO of Victoriahem > The Value-add unit is responsible for technically implementing and using new technologies > The central non-financial performance indicator Sustainability Performance Index (SPI) includes the carbon intensity of the building portfolio	**2021 Annual Report:** **The Company** **Corporate Structure** **Sustainability Management at Vonovia** **Management System** **Environmental Issues** **Opportunities and Risks** **2020 Sustainability Report:** **Environment and Climate** **Management of Opportunities and Risks**
Strategy		
Actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	> As key drivers of long-term business success, climate protection and CO_2 reduction are fundamental components of the corporate strategy > A binding climate path, taking into account various scenarios, defined in cooperation with the scientific community > An extensive modernization program to increase energy efficiency, as well as the use of neighborhood solutions with renewable energies (fuel switch) > Transitory rather than physical risks currently expected, including through legislation in Germany (CO_2 pricing) and the European Union, as well as through a lack of cost-effectiveness of energy efficiency modernization and the development of renewable energy generation (balance between investments and capacity for passing on costs/affordability for tenants) > Opportunities in particular through decentralized internal energy generation for the supply of heating and the provision of electricity for tenants	**2021 Annual Report:** **Strategy** **Sustainability Management at Vonovia** **Environmental Issues** **Risk Assessment Based on Sustainability Aspects** **2020 Sustainability Report:** **Environment and Climate** **New Construction**

Implementation of the TCFD Recommendations at Vonovia

Content of the recommendations	Implementation at Vonovia	Further information
Risk management		
How the organization identifies, assesses, and manages climate-related risks	> Climate-related risks form part of the company-wide risk management process; half-yearly evaluation of all risks by the management > In the future, physical risks will be evaluated on the basis of regularly updated risk maps > No material risks currently identified for the Vonovia building portfolio	**2021 Annual Report:** **Risk Assessment Based on Sustainability Aspects** **Opportunities and Risks** **2020 Sustainability Report:** **Management of Opportunities and Risks**
Metrics and targets		
Metrics and targets used to assess and manage relevant climate-related risks and opportunities	> Comprehensive and complete carbon footprint for the building portfolio and business operations in accordance with the GHG Protocol and IW.2050 > CO_2e in the portfolio (in Germany) in 2021: 871,290 metric tons (Scopes 1,2,3*) > Expansion of renewable energies using PV: 510 installations with a nominal output of 18.0 MWp Targets: > Virtually climate-neutral building portfolio by 2045 (< 5 kg CO_2e per m² rental area) > Reduction of CO_2 intensity from current level of 38.4 to less than 25 kg per CO_2e/m² of rental area by 2030 > Installation of PV systems with a nominal output of > 200 MWp on 17,000 roofs by 2030 > Reduction in average primary energy demand in new buildings to 31 kWh/m² by 2025	**2021 Annual Report:** **Strategy** **Management System** **Environmental Issues** **Forecast Report** **2020 Sustainability Report:** **Environment and Climate** **Sustainable Construction and Development** **Environmental Key Figures**

* Scope 3.3: "Fuel- and energy-related activities upstream"

The following **three material topics** contribute to Vonovia's overarching climate strategy:

Reducing CO_2 in the real estate portfolio/energy-efficient modernization

Energy-efficient refurbishments are a key element of our climate path. Following the initial definition of the target in 2020, concrete implementation work continued in the reporting year. A specially developed tool makes it possible to break down the Group target at the level of regions and neighborhoods – and identify nuanced solutions. In this respect, both environmental/social and economic targets are factored in. Here, the focus is on the urban quarter as a solution level, including for the energy revolution in particular. Many integrated solutions for energy provision with renewable energies and CO_2 optimization can only be implemented in a technically feasible and economically viable way within larger neighborhoods. The innovation clause of the German Buildings Energy Act (GEG), for example, is only applicable to neighborhoods. The energy-efficient modernization measures focus on heat insulation for facades, basement ceilings and attics, the replacement of windows and the installation of new heating boilers. Here, we are increasingly moving the focus away from individual measures, but rather gearing our programs more closely toward the holistic efficiency house notion within the meaning of Federal subsidies for energy-efficient buildings (BEG). In terms of heating modernization, we focus on the use of hybrid solutions and heat pumps. By the end of 2022, we also aim to have replaced all existing oil heating systems in existing buildings.

When carrying out energy efficiency building refurbishments, we need to consider both the strain on the tenants/residents concerned and the rising costs. Vonovia is committed to using numerous (academically supported) cooperation projects and integrated approaches to find innovative and cost-efficient, effective solutions for energy efficiency and a climate-neutral housing stock.

One example of this sort of approach is the Energiesprong initiative, a serial refurbishment concept that stands for minimal refurbishment times, high residential comfort and an innovative financing model on account of standardization and prefabrication. The aim is to conduct refurbishments to bring buildings to net zero, meaning that they generate as much energy in a year as they consume. The Energiesprong principle is currently being piloted in Bochum and is earmarked for further implementation within the portfolio. Vonovia is also taking part in projects to optimize the operational management of heating systems and the interaction between, for example, system technology, user behavior and structural measures, so as to deliver further ideas for measures that can be implemented at a reasonable cost.

The Portfolio Management department, which reports to the Chief Rental Officer (CRO), is responsible for coordinating the energy-efficient modernization activities. The urban quarters to be modernized are selected in a targeted manner in cooperation with the regions, and the optimal degree of modernization for each building is defined. The investments for the modernization programs are approved by the Management Board as a whole. Public-sector subsidy programs are being used for many of the modernization measures. Here, Federal subsidies for energy-efficient buildings (BEG) play a particularly crucial role in the investment program.

This allowed a refurbishment rate of 2.3% to be achieved in the reporting year. The year-on-year drop (2020: 2.9%) is, among other things, attributable to the new conditions for subsidies and the adjustments to the internal management system to focus on the neighborhood level, which requires more complex and therefore longer planning. In the year ahead, it is expected that the refurbishment rate will once again exceed 2%.

Material performance indicator

Category	Unit	2020	2021	Projection for 2022
Refurbishment rate (in Germany)*	%	2.9	2.3	2.0–2.5%

* Excluding Deutsche Wohnen.

Deutsche Wohnen also calculates and reports on a refurbishment rate; however, the definition of this rate differs from the key figure of Vonovia. The two rates will be merged as part of the integration process.

The CO_2 intensity of the building portfolio represents the central indicator of energy efficiency modernization. It is also an extremely important component of the Sustainability Performance Index (SPI) and therefore of the Corporate Management System. Alongside optimization of building envelopes, the switch to lower-carbon energy sources also stands at the forefront. As part of our quest to achieve a climate-neutral housing stock in 2045, Vonovia is aiming to have reduced the CO_2 intensity of its housing stock in Germany to below 25 kg CO_2e/m^2 by 2030. In the reporting year, CO_2 intensity stood at 38.4 kg CO_2e/m^2 and was therefore approx. 2.8% lower than in the previous year (2020: 39.5 kg CO_2e/m^2)[13]. As such, the goal set for the reporting year of a reduction of at least 2% was achieved. In particular, the reduction is based on energy efficiency modernization and an improvement in the CO_2 intensity of district heating.

Material performance indicator – SPI

Category	Unit	2020	2021	Target for 2022
Carbon intensity of the existing portfolio Vonovia SE (in Germany)*	kg CO_2e/m^2 living area	39.5**	38.4	Reduction of min. 1.5%***

* Total portfolio, based on final energy demand from energy performance certificates and related to rental space, in some cases including specific CO_2 factors from district heating suppliers; excluding Deutsche Wohnen.
** Restatement to the Annual Report 2020, see Sustainability Report 2020.
*** After conversion to the Carnot method for the emission factors of district heating.

CO_2 intensity also represents a key figure at Deutsche Wohnen, whose reporting logic – despite becoming ever more similar in recent years – still differs from that of Vonovia in certain details, especially with respect to conversion factors for energy consumption. It came in at 32 kg CO_2e/m^2 in the reporting year. Recognition will be fully harmonized during the integration process.

As part of the continuous further development of our CO_2 accounting, we will make a modification in the CO_2 accounting of district heating starting in the 2022 fiscal year, where we will use the Carnot allocation method[14] in the future. This has the advantage that the allocation of CO_2 emissions between electricity and district heating is based on purely physical considerations, meaning that we can structure our long-term climate strategy and corresponding innovations in a way that is robust against regulatory changes in the long term. Had this method been applied to the building portfolio in the 2021 reporting year, it would have resulted in a theoretical CO_2 intensity of 35.6 kg CO_2e/m^2.

13 The prior-year figure was already corrected in the reporting year due to a change of method, which was shown in the 2020 sustainability report. (CO_2 intensity prior to change of method: 43.9 kg CO_2e/m^2)
14 In addition to the energy quantity, the Carnot method also uses energy quality as a measure for breaking down CO_2 emissions between electricity and heating; the GEG provides for a switch to the Carnot method by no later than 2030.

Energy efficiency modernization measures in Austria are, like overall business operations in Austria, the responsibility of the Chief Development Officer (CDO) under the BUWOG umbrella, where they are led by the Real Estate Management division. Since 2011, BUWOG has been a partner of the "klimaaktiv Pakt" climate protection initiative launched by the Austrian Federal Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology. Following completion of the first stage of the initiative in 2020, BUWOG has set a new goal as part of "klimaaktiv 2030", the aim being to achieve a reduction of 55% by 2030, compared to the base year of 2005. The highest share of the CO_2 reduction will be accounted for by modernization and improvements to existing stocks, particularly insulation refurbishment, improvements in the efficiency of heating systems and conversion to renewable energy sources. BUWOG has also had a certified energy management system that is consistent with ISO 50001 standards in place in Austria since 2013/14 and in Germany since 2018. The system is a tool used voluntarily to systematically manage energy performance and improve it continuously. The corresponding establishment of processes that reflect this policy in the company and clear objectives serve to increase energy efficiency, reduce energy consumption and cut energy costs.

In Sweden, virtually all existing Victoriahem buildings are supplied with district heating, the generation of which already produces extremely low CO_2 emissions. Therefore, the road to climate neutrality will primarily be shaped by further decarbonization of heating supply, coupled with ongoing improvements in energy efficiency.

Renewable Energies and Energy Mix

A further key pillar of our climate strategy is the use and expansion of renewable energy sources. Vonovia is aiming to continuously increase the use and share of renewable energies, for example by expanding the use of hybrid heating systems, heat pumps, solar thermal energy, pellet heating and integrated neighborhood systems. We are also piloting innovative approaches such as the use of hydrogen technology in combination with electricity from renewable sources.

In 2021, Vonovia hit its target of installing PV panels on 1,000 roof areas. As the overall potential of the suitable roof areas is still considerably higher, we plan to install PV panels on 17,000 roofs by 2030; this equates to an installed output in excess of 200 MWp (compared to 18.0 MWp in 2021). In order to achieve this goal, we are also investing in in-house installation capacities and creating about 100 new jobs. In the long term, i.e., by 2050, we intend to fit all 30,000 suitable roof spaces in the German portfolio with PV panels. Looking ahead, the plan is to use the energy generated directly as landlord-to-tenant electricity in the individual neighborhoods as soon as the overall legal conditions make this commercially feasible. The PV program and other innovative approaches aimed at the CO_2 optimization of the real estate portfolio as part of the neighborhood concept are developed and managed by the Innovation & Business Building department.

Vonovia is offering its customers the opportunity to purchase electricity from renewable energy sources via its own energy distribution company (VESG). By supplying certified green electricity, Vonovia is helping its customers to avoid greenhouse gas emissions. In the mid- to long-term, Vonovia is seeking to decentralize the energy supply to its own neighborhoods using self-supply and tenant electricity concepts. Our objective is to maximize the share of energy we produce ourselves for the benefit of our customers and the environment, and also to use it for our housing-related services, e.g., e-mobility. The purchase of certified green electricity to supply communal areas makes a further contribution to our climate strategy.

All activities relating to renewable energies and energy distribution are organized in the Value-add business area and are managed by a chief representative who reported directly to the CEO of Vonovia until the end of the 2021 fiscal year. This responsibility will move to the Chief Transformation Officer (CTO) with effect from January 1, 2022.

Material performance indicator

Category	Unit	2020	2021	Target for 2022
Number of photovoltaic plants*	number	424	510**	
Installed Output	MWp	15.9	18.0**	24.4***

* Photovoltaic plants owned by Vonovia at reporting date 31.12.
** Including Deutsche Wohnen.
*** Target only Germany and excluding Deutsche Wohnen.

Sustainable New Construction and Refurbishment

Vonovia's new construction activities are helping to create urgently needed new and affordable homes, especially in metropolitan areas. In the reporting year, the integration of the new construction division of Vonovia Technischer Service GmbH – a company focusing on densification and the addition of extra stories to buildings – under the Development business, which operates under the BUWOG brand in Germany, was decided upon and spearheaded. BUWOG focuses on the development of high-quality residential neighborhoods for the company's own portfolio (to hold) and for direct sale (to sell) in Germany and Austria. The activities of the BUWOG development business in Germany and Austria are the responsibility of the Chief Development Officer (CDO), and the individual development projects are approved by the Management Board.

In its new construction and refurbishment projects, Vonovia takes care to ensure optimized energy design and the use of renewable energies. We achieve this, for instance, by using the German efficiency house standard or the new-build criteria of the "klimaaktiv Pakt" initiative.

The average primary energy demand of newly constructed buildings, in relation to rental area, make up the most important performance indicator. This performance indicator is part of the planning process and must be made transparent as part of all Management Board approvals of new-build and development projects. Our aim is to reduce this significantly in the medium term. The increase in average primary energy demand in 2021 is attributable to projects that were already planned and approved under other framework conditions prior to the setting of our goals. For the same reason, a considerably higher figure is anticipated for 2022; in subsequent years, a considerable reduction is then expected.

Material performance indicator – SPI

Category	Unit	2020	2021
Average primary energy demand – new construction*	kWh/m² p. a.	35.7	38.6

* Based on energy performance certificates, excluding commercial space and extensions; excluding Deutsche Wohnen (integrated reporting of the indicator will take place from the coming year).

In the reporting year, resource-saving and eco-friendly construction and, in particular, analysis of the entire life cycle came more to the fore. In many projects, various wooden construction methods were planned and used; these result in much lower CO_2 emissions and energy requirements in the manufacture of building materials. As such, the overall footprint can be reduced effectively. In the future, we will make greater use of increasing systemization, also taking the CO_2 impacts of the upstream chain into account. We will discuss and champion these and other approaches at our "Perspectives on the Future of Construction" conference, which is planned for 2022.

Designing the residential environment and preserving biodiversity are top priorities for us. Numerous buildings feature green spaces that serve as natural habitats for flora and fauna at ground level, on roofs or on facades. In addition to the optical effects, these green spaces also offer a practical added value, for example, by slowing the flow of rainwater into the partially overburdened municipal sewage system and by making a considerable contribution to the microclimate, especially by preventing urban heat islands in built-up areas. Attention is also paid to conserving resources and protecting the environment during the construction phase, too.

Social Issues

Within the context of the statutory requirements in the Non-financial Group Declaration, social issues include the following material topics: "Neighborhood development and contribution to infrastructure," "Fairly priced housing," "Homes that meet tenant needs and action in response to demographic change" and "Customer satisfaction and service quality" (see → materiality matrix). The Group guidelines of Vonovia are definitive in terms of describing the concepts and their implementation. As part of the pending integration of the company Deutsche Wohnen acquired by us, we are reviewing the agreements, standards and processes in place at this company with respect to the material topics listed under social issues. Where necessary, we will implement our internal company-wide guidelines. Unless stated otherwise, the concepts presented for the reporting year apply to the Vonovia Group excluding Deutsche Wohnen.

Neighborhood Development and Contribution to Infrastructure

The **social megatrends of climate change, urbanization and demographic change** set out the scope for change within which the housing industry needs to find services and solutions. Whether climate-neutral building stocks (see Environmental Issues), increasing conglomeration in urban spaces and cities under individually evolving conditions (see Fairly Priced Housing) or an aging society (see Homes that Meet Tenant Needs and Action in Response to Demographic Change), the requirements are becoming increasingly complex and interconnected. Therefore, people's direct residential environment, the neighborhood, is becoming an increasingly prominent area of focus for the housing industry, a trend that is amplified by the impacts of the coronavirus pandemic. Quality of living is being associated more closely with the neighborhood level. People want to feel at home in their environment and identify with their place of residence. What's more, the neighborhood level is also suitable for networked environmental measures.

Thinking and acting in terms of neighborhoods is Vonovia's answer to these crucial megatrends – and our solution approach for the economic, environmental and social (new) development of our urban housing portfolios. With this in mind, Vonovia takes a holistic perspective on neighborhoods and develops infrastructure that is tailored to suit the individual challenges of each neighborhood, that is geared toward the needs of the tenants and that combines structural design, climate protection and services to meet social needs.

Almost 70% of Vonovia's portfolio is located in neighborhood settings; this equates to 586 urban quarters (excluding Deutsche Wohnen). In this context, we understand a quarter – as per the definition of the German Housing and Real Estate Companies (GdW) – as a visually coherent urban development structure that is seen by its residents as a distinct area and that represents an area for action in which the residential real estate company can make a difference and see positive effects. It comprises at least 150 apartments. In addition to the urban quarters, there are unique strategic properties (urban clusters) to which the options for action of the strategy and business model are adaptively applied (see → **The Company**).

This neighborhood-based view of the portfolio expands our spectrum of measures for designing our portfolio using networked approaches and new technical capabilities, thereby helping us to create places of shared living with a socially and environmentally viable future. Synergy effects release their potential within the neighborhood approach. As part of the further development of our investment strategy, some 20 neighborhoods in 2022 will be analyzed in terms of their environmental performance and social megatrends before being extensively prepared.

Vonovia's neighborhoods are designed to comply with clear climate protection requirements. They use innovative concepts to offer a good platform to counter the challenges associated with climate change and reduce CO_2 emissions. Vonovia designs its residential environments and green spaces to strengthen participation and urban community life and to be sustainable from an ecological perspective.

Environmental and social aspects go hand in hand within our neighborhood approach. Vonovia is equally committed to both aspects and to promoting social interaction in the local community. Measures to strengthen shared living only become manageable and effective through the neighborhood approach. This is a process involving city and municipal authorities as well as our tenants in order to jointly develop solutions for the neighborhood. It uses various instruments and cooperation initiatives to achieve this, e.g., by making premises available, establishing services, neighborhood meet-ups and day care centers hand-in-hand with cooperation partners that focus on the greater good.

In 2021, there were 15 neighborhood development projects in the operational implementation stage across Germany comprising approx. 8,600 residential units as part of the neighborhood development investment program. These include various key components, such as energy-efficiency refurbishments, the construction of new homes and measures to design an appealing residential environment – supported by additional social services, urban development aspects and necessary infrastructure measures. These projects generally run for a period spanning several years. Due to lead times and adjustments to internal program logic, the aforementioned new neighborhood approach within the investment strategy cannot yet be presented in reported investment volumes. This relates to expenses connected with the measures in the neighborhood development program in the fiscal year.

Material performance indicator

Category	Unit	2020	2021	Projection for 2022
Investment volume for community development in Germany (fiscal year)*	in € million	42.3	61.6	117.8

* Excluding Deutsche Wohnen.

Neighborhood development is also a material topic at Deutsche Wohnen. Here, the program and governance logic differs from the approach taken by Vonovia. The processes and governance logics, from the investment program through to implementation of the neighborhood development components, will be merged as part of the integration.

Neighborhood development calls for complex teamwork and extensive innovative knowledge of all employees to ensure successful implementation on location. From an organizational standpoint, the challenge of the neighborhood approach lies in reflecting networked thought and action within the organizational structure, facilitating knowledge transfer and establishing the processes necessary for this to happen.

Here, Vonovia follows the approach of providing central support services for local decision-makers and actors and ensuring the transfer of best practice. Thanks to the Neighborhood Academy, an internal training and networking format, employees can be qualified as neighborhood development experts. The Neighborhood Academy not only teaches innovative knowledge, but also focuses on the training of specific skills. At the same time, it enables the systematic sharing of experiences among participants. This is supported by Group-wide, web-assisted knowledge management in the form of the Vonovia Guide.

In order to further spearhead research in the field of neighborhood development and living, Vonovia sponsors a foundation professorship – held by Prof. Dr. Jan Üblacker – at the EBZ Business School University of Applied Sciences in Bochum, thereby firmly embedding the neighborhood perspective in the education of EBZ students.

Neighborhood development is planned and managed on a decentralized basis via the regions. The Chief Rental Officer (CRO) is the Management Board member responsible for the property management business in the North, East, South and West business areas, as well as for customer service and portfolio and tenant management. We are increasingly using our own neighborhood developers for on-site implementation. This allows us to address any specific issues as and when they arise.

The investment and participation formats are also the responsibility of, and are managed by, the regions, just like Vonovia's social commitment. This approach is supplemented, also from a quality assurance perspective, by centrally managed supporting measures via corporate communications.

Fairly Priced Housing

Vonovia's core business is the provision of housing that meets people's needs. As such, we meet the basic human need for housing. In this context, the needs and life circumstances of our customers – as a reflection of society – differ in all kinds of ways. There are also differences in the situation on individual housing markets. In metropolitan areas, in particular, shortages of available housing often go hand in hand with strong demand. Among other things, these developments unfold against the background of high climate protection requirements, which are particularly cost-intensive in the buildings sector. This is why, particularly with modernization projects, it is key to bear in mind what individual tenants can actually afford in order not to end up losing customers. After all, one aspect that is of fundamental importance to us is being able to offer our tenants the prospect of being able to stay in their homes in the long term. The fundamental challenge involves being able to provide a supply of housing at fair and transparent prices while at the same time achieving a climate-neutral housing stock.

First and foremost, we achieve this through fair and transparent prices of our housing that are affordable for the various sections of society. By further expanding our core business through letting and new construction, we make a substantial contribution to easing the current situation on housing markets. Our rental prices are based on the usual local rents and – if available – on qualified rent indices. In our view, regulatory interventions in housing markets are necessary and conducive to the achievement of our objectives. When letting, we always observe the applicable country-specific legislation. We will retain our voluntary commitment in Germany to cap the modernization costs passed on to tenants at € 2 per m^2. In the event that a disproportionately large amount of CO_2 – and therefore further heating costs for tenants – can be saved, it is possible to balance the objectives in favor of the climate-protection measures on a project-by-project basis.

The housing situation in Berlin is particularly fraught: the Act on Rent Controls in the Housing Sector in Berlin ("the Berlin rent freeze"), introduced by the Berlin State Government in 2020, was declared unconstitutional by the German Federal Constitutional Court in the fiscal year under review. As a consequence, a majority of voters in Berlin instructed the Berlin State Government by means of a referendum in fall 2021 to examine demands for socialization of the portfolios of major housing companies in Berlin. This illustrates the urgent need for sufficient and affordable housing in Berlin.

Here at Vonovia, we have therefore sent several signals that we wish to change the situation in Berlin through cooperation between politicians, society and housing companies. In a first step, we waived potential claims for rental back payments arising from the ruling of the German Federal Constitutional Court on the Berlin rent freeze. In concert with Deutsche Wohnen, we have also gone a step further with our "Future and Social Pact for Housing" by selling 14,750 apartments to public housing companies, voluntarily limiting our rental increases for the next five years in Berlin and by committing to build 13,000 new apartments in order to send a clear signal in the effort to combat the housing shortage.

Material performance indicator

Category	Unit	Vonovia 2020	Vonovia 2021	Deutsche Wohnen 2021
Average rent per m²	€	7.16*	7.38*	7.20

* Excluding Deutsche Wohnen.

Both in Berlin and in other cities and municipalities, we also offer subsidized and independently financed homes for people on low incomes and are responding to location-specific challenges with services tailored to needs. In Frankfurt am Main, we have agreed with the city on regulations for climate-friendly housing at fair prices. These regulations limit the average increases in existing rents to the level of inflation and – similar to the agreement in Berlin – to one percent for three years. Of new builds, 30% are in the subsidized segment – and Vonovia provides accompanying support to people affected by or threatened with homelessness. For the city of Frankfurt, this is the first agreement of its kind concluded with a private enterprise.

These two agreements, along with the establishment of an independent mediation body in Dresden, demonstrate that Vonovia strives to work in partnership with politicians and society to tackle municipal challenges and that the company takes specific societal and social challenges into account within its planning.

Individual support programs constitute a further supplementary component of our work to enable fairly priced housing. We have, for instance, firmly established our hardship management program. When we receive hardship case pleas, we work with the tenant concerned to find a suitable solution in each case. In the fiscal year under review, we cooperated with the German Tenants' Association and other housing companies to agree on consistent standards – based on the guidelines of charitable organizations – for dealing with hardship cases in the event of modernization work, applying a common guidance framework. As such, we are contributing to greater reliability and transparency in cases of hardship. Also still in place are our special vested rights for people aged over 70 and our active support for people who have fallen into payment difficulties as a result of the coronavirus pandemic. The aim of these measures is always to ensure that people can stay in their homes and that housing remains affordable.

Rent structures and agreements with municipalities are manged in a decentralized manner via the regions. The Chief Rental Officer (CRO) is the Management Board member responsible for the property management business in the North, East, South and West business areas, as well as for customer service and portfolio and tenant management. The individual measures are planned and coordinated in the Portfolio Management department.

Homes that Meet Tenant Needs and Action in Response to Demographic Change

Demographic trends and the associated aging of the population are changing the needs of our customers and the related challenges on real estate markets. We adapt our offering in response to these changing and varying housing needs. Our aim is to ensure that our tenants can stay safe and healthy in their homes over the long term. In the event that architectural conditions no longer support independent living, it is important that the barrier to accessing further care services is low.

In Germany, the demand for senior-friendly housing will outstrip supply by around two million by 2035. In an aging society, it is crucial to enable a large number of people to live independently in their own homes for as long as possible. We therefore already design a large share of our newly built apartments to be accessible and/or wheelchair-friendly. More important, however, is the low barrier for equipping and refurbishing apartments for people with impaired mobility.

Homes that are completely barrier-free, according to German industry standard DIN 18040-2, are only necessary in very rare cases. Rather, a small number of measures, such as the fitting of non-slip flooring or flush-to-floor showers, are often sufficient to significantly increase the level of living comfort in old age. We therefore pursue the target of modernizing 30% of newly rented apartments every year so that they meet the demands of an aging society. To this end, we review existing buildings to determine their potential for accessibility. In 2021, 10,000 apartments were (partially) modernized to make them more accessible.

Material performance indicator – SPI

Category	Unit	2020	2021	Target for 2022
Proportion of accessible (partially) modernized newly rented apartments (in Germany)*	%	30.1	30.0	around 30%

* Includes both measures in the event of a change of tenant and modernisations at the request of the tenant; Number of new lettings excluding newly constructed living space. Excluding Deutsche Wohnen, Deutsche Wohnen does not calculate this key figure.

As of December 31, 2021, we employed a total of 3,783 people in care service or care home management in the area of Care at Deutsche Wohnen. Retirement and care homes are operated under the brands KATHARINENHOF and PFLEGEN & WOHNEN HAMBURG. These facilities provide full residential care, the aim being to maintain an active lifestyle and residents' independence to the greatest possible extent. Senior citizen-friendly services are also provided within the context of assisted living. With its Care and Assisted Living business segment, Deutsche Wohnen makes a substantial contribution in the area of demographic change.

In addition to structural measures, the social infrastructure in the neighborhood also plays a key role. In addition to special forms of housing, such as senior-friendly apartments, Vonovia also works with cooperation partners that focus on the greater good to offer services and neighborhood meet-ups, for example.

Responsibility for the senior-friendly housing programs lies with the Management Board (CRO). The structure of the refurbishment program is managed centrally and is implemented via the regions.

Customer Satisfaction and Service Quality

Customer satisfaction is instrumental in the success of a company. For us, this is mainly associated with the question of whether our tenants feel at home in their apartments and residential environments and whether they feel that they are treated fairly by us as their landlord. Here, the quality of customer care and services plays a major role. Our experience tells us that availability, speed and transparency in customer service are pivotal when it comes to living up to expectations.

Our central, multilingual customer service department acts as the first port of call, whereas our caretakers and in-house craftsmen look after the needs of tenants on location. This allows us to ensure fast and reliable service. In 2021, we considerably increased the telephone availability of our customer services team, thereby significantly reducing waiting times.

In order to further boost flexibility and speed, we are pressing ahead with the digitalization of our service functions. The key channel in this regard is the tenant app, which has already been downloaded more than 250,000 times and is used actively by some 68,000 users. In 2021, we added two new features to the app – the digital lease agreement and the apartment search. As a result, the entire customer journey can now be shown in the app: from searching for an apartment and scheduling viewing appointments through to digital contract drafting, ancillary expense bills and all other topics for existing customers. In the future, the app will be expanded to include additional features such as consumption data that can be read remotely. The systematic implementation of digital solutions also helps the environment and has already enabled us to save more than a million sheets of paper.

Customer satisfaction is measured using a quarterly customer survey and is reflected in the Customer Satisfaction Index (CSI), which is an element used in determining Management Board remuneration as a direct, non-financial control parameter and SPI component. In 2021, Vonovia reached an all-time high in the CSI. This success is further reflected in an award given by analysis institute AktivBo, which Vonovia received in the fiscal year under review as the company with the largest improvement in the service index. The aim is to cement this positive trend on a permanent basis. BUWOG in Austria and Victoriahem in Sweden also carry out regular customer satisfaction surveys.

Looking forward, we aim to introduce a harmonized CSI in Germany, Sweden and Austria in order to be able to compare the results of the individual surveys.

Material performance indicator – SPI

Category	Unit	2020	2021	Target for 2022
Increase in Customer Satisfaction (Customer Satisfaction Index (CSI) in Germany)*	%	+8.6	+4.5	Same level as the previous year

* Customer Satisfaction Index (CSI) in glossary, excluding Deutsche Wohnen.

Deutsche Wohnen also conducts an annual tenant survey to measure its customers' satisfaction with their living situation and their satisfaction with Deutsche Wohnen as a landlord, with this survey comprising multiple items. It is, however, not comparable with the Vonovia CSI. Satisfaction with Deutsche Wohnen as a company remained more or less stable between 2020 (82%) and 2021 (81%). The level of satisfaction with tenants' residential units stands at 86% (2020: 88%).

At Vonovia, responsibility for the central customer service center lies with the CRO. While customer satisfaction is assigned to the central customer service center in strategic terms, it affects all customer-facing operating departments and is ensured by each and every Vonovia employee. The design and management of the tenant app and the customer portal are also the responsibility of the central customer service center.

Employee Issues

Within the context of the statutory requirements in the Non-financial Group Declaration, employee issues include the following material topics: "Appeal as an employer" and "Approach to diversity and equal opportunities" (see → **materiality matrix**). The Group guidelines of Vonovia are definitive in terms of describing the concepts and their implementation. As part of the pending integration of the company Deutsche Wohnen acquired by us, these guidelines, concepts and processes will also be transfered to the acquired business activities. Unless stated otherwise, the concepts presented for the reporting year apply to the Vonovia Group excluding Deutsche Wohnen.

Appeal as an Employer

Working life and organization were once again largely dominated by the coronavirus pandemic in 2021. Whereas there was a need in the previous year to respond quickly to changing circumstances with flexible working models and employee protection measures, 2021 was shaped by the consolidation and further development of the transformation to flexible and digitalized processes.

The works agreement on mobile working, negotiated between senior management and the works council, remains in place. A corresponding agreement now also exists for Austrian employees. In numerous departments and service areas, it was possible to institute hybrid working models combining on-site working and mobile working.

The company's HR processes support this flexibility through further digitalization of processes. Whereas elements such as the reporting of absences due to illness via an app or the digital recording of working hours in many divisions eased location-independent working in the previous year, 2021 saw the digitalization of further HR processes. This applies, in particular, for the areas of training and talent management, where further IT applications were implemented within Success Factors, making them available for more than 90% of the Group (excluding Deutsche Wohnen). For example, seminars on data protection and the Code of Conduct were held by means of specially developed online formats. All talent processes are now assisted by software, simplifying both executive development and succession planning processes.

The (ongoing) development of existing employees is particularly important for the company, whether in Germany, Austria or Sweden. Needs-based training courses and programs include training sessions and specialist seminars, management development courses and certified qualification schemes. We support the further development of our high-potential candidates through our own Vonovia Academy and our cooperation projects with EBZ Business School in Bochum, which focuses on property management, and other educational institutions. In Austria, we reinstituted the apprentice program in 2021. Here, the first four young people have started their apprenticeships at the Vonovia subsidiary BUWOG.

By virtue of the insourcing of numerous tasks along the value chain – from caretaker work and garden maintenance through to the carrying out of maintenance services – and the resulting large number of employees in skilled trade and technical positions, Vonovia is combating the risk of a skills shortage on this labor market by taking a holistic approach to HR planning: targeted recruiting is complemented by ongoing training and education, talent promotion and extensive social benefits to promote employee loyalty. For example, we are continuing with the harmonization of various company social benefits and employee programs, e.g., by introducing a new employee retirement benefit plan and the leasing of company bikes. Both of these benefits are available to all Vonovia employees in Germany.

In 2021, a new recruitment campaign was launched in order to persuade more people to join Vonovia in skilled trade occupations. Under the title **"Hand aufs Werk"** this new campaign was launched in 42 German cities through myriad media channels. A total of 1,600 new applications were received during the campaign period (10 weeks) – roughly 65% more than in the comparison period before the campaign.

All these measures are designed to position Vonovia as an attractive, reliable and secure employer. After all, we need well-trained, qualified employees to achieve our mission and pursue our growth strategy. In 2021, there were once again no pandemic-related operational terminations, and there was also no need to introduce short-time work.

The exclusion of operational terminations also applies with respect to the integration process of Deutsche Wohnen SE. Employees of Deutsche Wohnen SE are protected against operational terminations due to the integration process until the end of 2023.

Vonovia is committed to the core labor standards of the International Labour Organization (ILO) in all areas, particularly with regard to **freedom and rights of association**. Works councils represent all Vonovia employees in Germany and Austria.

Employee Key Figures

Category	Unit	2020***	2021
Total number of employees*	number	10,622	12,088
of which female	number	2,626	3,414
of which permanent	number	9,669	11,137
Nationalities**	number	76	74
Average age (total)	years	42.5	42.8
People with disabilities**	number	368	344
Total number of trainees**	number	510	561
of which commercial	number	153	185
of which technical trade	number	357	376
Training rate**	%	5.0	4.6

* Total number of employees by headcount, from 2021 all key figures including Deutsche Wohnen (excluding Care and Assisted Living). The Care and Assisted Living business activity of Deutsche Wohnen SE comprises a further 3,783 employees (see also section Social concerns: needs-based living and action in relation to demographic change).
** Not including Sweden. Germany and Austria taken into account.
*** Excluding Deutsche Wohnen.

The satisfaction of our employees is a decisive indicator for allowing us to assess our appeal as an employer. In 2021, we conducted a comprehensive survey of employees in Germany, Austria and Switzerland via an external contractor. As such, it was possible to expand on the most recent survey of the entire Group (excluding Deutsche Wohnen), which was conducted in 2019. The survey contains questions on five dimensions that are of particular importance for our company: credibility, respect, fairness, pride and team spirit.

The results of the employee survey bolster the success of the measures taken in the previous year. The Group-wide response rate increased from 72% in 2019 (excluding Sweden) to 82% in 2021. Changes in the employee satisfaction level – which this year became a component of the Group's key non-financial performance indicator (SPI) – will offer a regular indication of the degree to which Vonovia is an attractive employer. With this in mind, it is planned to repeat the employee satisfaction survey each year.

Material performance indicator – SPI

Category	Unit	2020	2021	Target for 2022
Increase employee satisfaction*	percentage points	–**	+5***	Same level as the previous year

* Conducted Group-wide for the first time in 2021; in each case excluding Deutsche Wohnen.
** No survey conducted in 2020, therefore no change compared with previous year.
*** In relation to the 2019 survey (the time comparison includes Germany and Austria, Sweden did not participate in 2019).

Deutsche Wohnen also conducts surveys to measure employee satisfaction. While the questionnaires fundamentally cover the same ground, they do exhibit different areas of focus. To support comparability with the changes in the employee satisfaction level of Vonovia, the percentage change in the employee satisfaction level at Deutsche Wohnen is reported here. In 2021, this was -2%. This figure already includes integration effects, as the survey was not carried out until after placement of the successful takeover offer. Employees of the Care and Assisted Living business area were not surveyed. Once integration has been completed, employee satisfaction will be measured company-wide.

Another key performance indicator examined by the employee survey is the extent to which employees are satisfied with Vonovia's management of the pandemic so far. Here, 82% of employees stated that they were very satisfied.

Approach to Diversity and Equal Opportunities

Vonovia's tenants and employees are as diverse as society as a whole. For example, tenants from more than 150 nations rent their homes from Vonovia, with the company itself employing people from more than 70 countries. They represent many different age groups, religions and worldviews, have a variety of physical disabilities and live their lives with a range of gender identities and sexual orientations.

We regard this diversity as a great strength and opportunity, which we support in a targeted manner and whose competitive advantage we aim to harness. By the same token, we regard not being able to meet diversity expectations as a risk for the company, which is why we have included it in our risk catalog. We currently measure this risk as having a low amount of loss and a very low probability of occurrence (<5%).

Even though we conclude from this figure that we have already achieved considerable equality of opportunity and that we embrace and promote diversity within the company, we continuously institute further measures in this context and/or adapt existing measures to reflect changes in underlying conditions. For example, we are updating our seminars on discriminatory behavior and continue to focus more closely on the integration of foreign skilled workers and displaced persons, as well as a high degree of flexibility in working hours so that all employees can structure their working time to suit their current phase in life. The gradual harmonization of social benefits also aims to ensure corresponding equal rights for all employees. For example, our employee share program and a works agreement on mobile working are now also in place in Austria.

We see the strengthening of women in the company as a special mission, as they – chiefly due to the technical occupations in the field of skilled trades – are considerably underrepresented with a share of 28.2% of the workforce as a whole. The SPI indicator “Proportion of women in leadership roles in the first and second level below the Management Board” clearly illustrates that we take care to proactively promote women and give them opportunities to pursue leadership positions and technical occupations. When setting the target – 29% by 2024 – we were guided by the representation of women in the Group as a whole. In Austria, we were not only awarded the equalitA certification for the internal promotion of women, but also with state certification as a family-friendly company.

Material performance indicator – SPI

Category	Unit	Vonovia 2021	Vonovia 2022	Vonovia Target for 2022	Deutsche Wohnen 2021
Proportion of women in management positions (first and second levels below the Management Board)	%	25.9*	28.0*	Same level as the previous year**	30.2***

* Excluding Deutsche Wohnen.
** Related to the previous year.
*** Deutsche Wohnen without Care and Assisted Living business activity.

At the top level of management, the diversity concept for the composition of the management and control bodies is set out in detail in the **Corporate Governance Declaration**.

Establishment in the Company

At Vonovia, the CEO is responsible for the company's human resources work, which has been established centrally as a shared service within HR management. In 2021, the shared services approach was transformed into an HR business partner model, which is further developed on an ongoing basis.

Austria and Sweden have their own HR departments. Austria reports to the HR department in Germany via dotted-line reporting, whereas Sweden is still not firmly established in the reporting line. Here, monitoring and reporting takes place as and when required. Organizational integration of Deutsche Wohnen is scheduled for January 1, 2023.

The Head of HR discusses developments with the CEO on a regular basis. The objectives and focus of HR work are developed in collaboration with the Management Board and are then cascaded down throughout the organization.

Combating Corruption and Bribery

Within the context of the statutory requirements in the Non-financial Group Declaration, this aspect includes one material topic: "Governance and compliance" (see → **materiality matrix**).

Governance and Compliance

The foundation of our business model is based on reliable, transparent and trustworthy corporate governance, which the company manages and monitors responsibly and independently. Its function as a role model is decisive in terms of building and cementing credibility – and therefore trust among our stakeholders. This also applies with respect to legally compliant conduct. Trust can be built through reliability if all rules are followed systematically – both those set out by law and, in particular, also those that we impose on ourselves. By contrast, any abuse of trust can damage the reputation and the business success of the company.

As a result, our governance endeavors are geared toward the establishment and implementation of, and systematic compliance with, a transparent and modern system of rules. Group-wide **policies and business principles** serve as a framework: Our business philosophy, our Code of Conduct, the Business Partner Code, and our Management Board's Declaration of Respect for Human Rights act as the maxims guiding us in our actions. We live up to this attitude with our **independent Supervisory Board and our commitment to the principles of the German Corporate Governance Code**.

The compliance management system (CMS) supports the corporate governance's direction and guards the company against misconduct. At Vonovia, the CMS is based on three pillars: prevention, identification and reaction. These pillars are underpinned by an extensive system of measures and processes as part of the compliance program. The basis takes the form of the Compliance Guidelines, which follow the Principles for the Proper Performance of Reasonable Assurance Engagements Relating to Compliance Management Systems (IDW PS 980).

In the 2021 fiscal year, we carried out a Group-wide, web-based compliance risk analysis at the level of senior company executives (excluding Deutsche Wohnen). As part of this analysis, information was requested on the topics of active and passive corruption, money laundering, antitrust law, social compliance and IT/data security. The aim of the survey was to systematically evaluate compliance risks, increase comparability between the countries in which Vonovia operates and identify potential areas of focus for further development of the CMS. Potential improvements were stated in the areas of money laundering and IT security, whereas the company was viewed as being well placed or very well placed in the other areas. Social compliance was evaluated as the most secure area. Compliance management identifies a catalog of measures from the findings, including a comparison of material compliance risks with the

Group risk management system and an expansion of the training catalog for compliance-related topics. With a view to enabling the transfer of best practice, the Austrian process for determining beneficial owners will be rolled out to Germany, as the Austrian requirements are more stringent in this regard.

Regular training sessions are the cornerstone for preventing misconduct before it happens. A comprehensive catalog of regular and mandatory training events is already firmly established and has been adapted for the various internal target groups. Procurement, for which the issue is particularly relevant, receives special training on corruption and criminal law pertaining to corruption, for example. As certain compliance seminars could not be held in the previous year due to the coronavirus pandemic, we digitalized and, in some cases, reworked further seminars in the reporting year. For example, the Code of Conduct and data protection seminars, including progress tests, are now available online to all employees in Germany (excluding Deutsche Wohnen). As such, implementation of the corresponding training content is ensured.

The complaints management and whistleblower protection system, expanded in 2021, has now entered regular operation. Bolstered by **Group policies** on preventing and tackling corruption, on preventing money laundering, on the whistleblower system and on the compliance guidelines, the **anonymous Whistleblower hotline** is not only available to employees, but also to external parties such as customers and business partners, in both German and English. It complements and extends the existing system of the independent ombudsman. The hotline is also integrated within the partner portal for business partners. The externally prepared whistleblower report is included with the company's compliance report.

The Chief Executive Officer (CEO) is responsible for implementation of the CMS. A Compliance Committee comprising the Compliance Officer (Legal department), Compliance Managers, the ombudsperson and representatives of the Internal Audit, Risk Management and HR departments and members of the works council regularly updates the system in line with current requirements and is responsible for its ongoing development. In this context, the Compliance Officer acts as a central contact point within the company for compliance-related questions and suspicions. He reports to the CEO on a regular basis, and also on an ad hoc basis when special cases arise. His activities are supported by the compliance managers and specialists in the individual departments. The CMS applies to the entire Group (excluding Deutsche Wohnen).

The Supervisory Board regularly receives comprehensive information about compliance issues and corruption along with existing guidelines and processes. The compliance report, which is forwarded to the Audit Committee via the Compliance Officer (following prior consultation with the CEO), provides information about potential breaches, measures and training relating to corruption.

In the 2021 fiscal year, there were individual suspected cases of corruption, which we investigated diligently. None of the cases were confirmed. Furthermore, several other compliance violations or suspected cases were reported, although these can be described as minor in total.

Deutsche Wohnen also reports on breaches in the areas of corruption and bribery. Due to identical definitions, the related key performance indicator can already be regarded on a consolidated basis. As part of the integration process, the Vonovia CMS will be rolled out to Deutsche Wohnen, with existing processes, policies and guidelines adapted accordingly to reflect Group guidelines.

Material performance indicator

Category	Unit	2020	2021
Total number of proven cases of corruption (in Germany)	number	0	0*

* Including Deutsche Wohnen (including the Care and Assisted Living business activity).

Respect for Human Rights

The European legal framework in which Vonovia operates with its business model is strictly regulated and overseen in the markets in Germany, Austria and Sweden. This applies in particular to fundamentally enshrined human rights, to which Vonovia attaches great importance irrespective of the legal framework. Compliance with, and the fostering of, these rights is reflected in our ethos and mission statement.

We regularly scrutinize our guidelines and adapt them to reflect changing underlying conditions. As part of the process of integration of Deutsche Wohnen, we have scheduled an update of our corporate guidelines for the coming year.

Making reference to the National Action Plan (NAP) for human rights in Germany, the Management Board **of Vonovia published a Declaration of Respect for Human Rights** in 2020. In this statement, we communicate our clear conviction for a pluralistic democratic society and zero tolerance of human rights violations and our commitment to respect Human Rights in all aspects of our business. We adhere to the core labor standards of the International Labour Organization (ILO) and the principles of the UN Global Compact, which we committed to in 2020.

Vonovia develops and builds homes itself, in particular via the subsidiaries of its BUWOG brand. Compliance with labor and social standards on construction sites is a challenge from a risk/human rights perspective. This challenge is, however, mitigated by the fact that the company performs around one-third of its trade/construction activities in Germany itself via its own technical service. This lessens dependency on external construction companies and therefore this risk, as Vonovia is in a position to exclude service providers and suppliers that do not comply with labor law requirements.

Concrete **cooperation with external partners and contractors** is governed by Vonovia through its Business Partner Code, the general terms and conditions of purchasing, the general terms and conditions of Vonovia SE for building services, and individual contractual agreements within the scope of structured supplier management. As such, we ensure compliance with common European standards and regulations, as well as material sustainability criteria, in the area of procurement. The Business Partner Code must be signed prior to the conclusion of a contract. In this document, we set out, among other things, all material requirements necessary for compliance with human rights – from legal conformity and the fulfillment of legal standards for working conditions to an assurance of freedom of association and the exclusion of discrimination. It is updated regularly – most recently in the fourth quarter of 2021 – and applies for contractual relations in Germany and Austria. A corresponding separate Code is in place in Sweden. As part of the regular evaluation of our major suppliers and contractors via our partner portal, we ensure that the criteria stated in the Code are complied with. In the event of incidents and breaches, a structured management of measures is activated, which – once all other means have been exhausted – may result in blocks on orders and termination of contract. In Germany, contractual conclusion is preceded by an automatic check against EU sanctions lists, with the Compliance department informed immediately in the event of a hit. In Austria, the Procurement department reviews all new creditors and regularly reviews existing ones on a half-yearly basis as part of a compliance check that also includes an inspection of sanctions lists (via KSV1870).

In 2022, we will focus on preparation for implementation of the requirements of the Duty of Care in Supply Chains Act (LkSG), which will be applicable in Germany as of January 1, 2023. This process also includes the review of existing guidelines, codes and processes, e.g., the aforementioned Declaration of Respect for Human Rights. An additional benchmark here will be the applicability of the minimum safeguards criteria of the EU taxonomy.

We also use long-term cooperation in the spirit of partnership to build a close relationship of trust with our contractual partners. This is largely the responsibility of the procurement department and allows any misconduct to be addressed. The procurement department reports to the CFO division of the Management Board with the intention of ensuring a high degree of neutrality and compliance both internally and externally.

Appeal on the Capital Market

The construction and management of residential real estate is a business with a long-term focus. Our aim in this segment is to bring economic activity hand in hand with environmental benefit, living up to the various expectations of stakeholders. We are committed to the principles of the social market economy and profitability Economic success is the prerequisite for further investments in environmental and social sustainability. At the same time, we firmly believe that these investments also pay off in terms of our appeal for investors. Growing demand for sustainable financial products and the ever greater establishment of ESG criteria as a basis for investment decisions prove us right.

Communication with our stakeholders on the capital market is handled by the Investor Relations (IR) division in consultation with the Management Board. Transparency is the watchword here. It is important to us to provide relevant information on our company and our economic development, but also on the sustainable direction of Vonovia, thereby providing an accurate picture of Vonovia. We want to generate attractive risk-adjusted rates of return for our investors and achieve sustainable revenue and value increases. This strengthens trust in the Vonovia brand. At the same time, IR acts in an inward-facing way so that the topics communicated to us by capital market actors come to the attention of the right people within the company.

Through formats such as investor conferences and roadshows, we seek out dialog – including and especially on ESG topics – with our shareholders and potential investors. We continue to hold these events during the coronavirus pandemic, albeit mainly in virtual form. Our Annual General Meeting, for instance, was for the second time held virtually in April 2021. Face-to-face conversations, additional roadshow dates and the participation in investor conferences represent additional communication channels.

We continue to attach considerable importance to a broad range of financial instruments from which we can select the right product at the right time, e.g., bonds, promissory notes, secured real estate loans, commercial papers, working capital facilities and subsidy loans from KfW and EIB. The portfolio is rounded off with innovative financing sources such as a tokenized promissory note. This enables us to communicate with different capital market actors, such as investors, banks and insurers.

We expanded our portfolio in 2021, for instance, with the issue of a green bond, which systematically supplements and continues our sustainability strategy. Through the success of this additional financing option, we feel strengthened in the continued development of our sustainable projects, especially in terms of the goal of a climate-neutral building portfolio. In 2022, we will revise our **Green Bond Framework**, taking into account the EU taxonomy, and add social components in order to be able to issue social/sustainability bonds.

In 2021, we achieved excellent results across the board in all ESG ratings relevant for Vonovia and its investors, achieving benchmarks and improving further in some cases. As such, we were able to maintain our membership of the prestigious Dow Jones Sustainability Index Europe and ISS-ESG Prime Status. In the ESG Risk Rating of Sustainalytics, Vonovia was (as of December 9, 2021) one of the top 25 companies in the entire universe evaluated of some 15,000 companies worldwide, as well as one of the top three performers in the real estate sector (of 1,054 companies).

Material Performance Indicator: Performance in relevant ESG Ratings

	Vonovia		
Ratings	**2020**	**2021**	**Deutsche Wohnen 2021**
Sustainalytics ESG risk rating	7.7	6.7	12.2
MSCI ESG	A	A	AA
CDP Climate Change	B-	B	x*
ISS ESG	C	C	C
S&P Global CSA	57	68	x*

* Due to the acquisition of Deutsche Wohnen by Vonovia, active participation was dispensed with for the reporting year.

In 2022, we will once again pursue the goal of transparently presenting our sustainability performance to the capital market and achieving consistently strong evaluations in ESG ratings. As well as performing regular checks to see whether we are listed in the relevant indices, we also use the results of the rating process and peer group comparisons to further develop our sustainability measures in a targeted manner.

Within the company, the Sustainability/Strategy department is responsible for actively managing our participation in ESG ratings, involving the operating departments in this process. The Investor Relations department and the Sustainability/Strategy department report to the CEO. Decisions regarding ESG ratings are made in the sustainability committee, which also receives regular information on developments in this area. The Finance & Treasury department, which reports to the Chief Financial Officer (CFO), is responsible for the implementation of our financial instruments.

Portfolio Structure

Portfolio in the Property Management Business

As of December 31, 2021, the Group had a total real estate portfolio comprising 565,334 residential units (2020: 415,688), 168,015 garages and parking spaces (2020: 139,429) and 9,289 commercial units (2020: 6,564). Our locations span 639 cities, towns and municipalities in Germany, Sweden and Austria. 71,173 residential units are also managed for other owners. Most of the properties in the Group's portfolio are multi-family residences.

In terms of fair value, most of the properties (around 89%) are located in Germany. The Swedish portfolio accounts for around 8% of the fair value, while the share of the Austrian portfolio comes to around 3%. The portfolio is as follows as of December 31, 2021:

Portfolio and Fair Value by Country

	Portfolio			Fair value*		
	Residential units	Living area (in thou. m²)	Vacancy (in %)	(in € million)	(in €/m²)	In-place rent multiplier
Vonovia Germany	353,963	22,103	2.2	54,464.5	2,401	28.0
Vonovia Sweden	38,486	2,749	2.3	7,386.0	2,475	20.6
Vonovia Austria	21,518	1,594	5.3	2,932.5	1,674	26.5
Vonovia without Deutsche Wohnen	**413,967**	**26,445**	**2.4**	**64,783.0**	**2,362**	**26.9**
Deutsche Wohnen	151,367	9,084	1.7	27,628.7	2,894	33.5

* Fair value of the developed land excluding € 5,433.6 million, of which € 636.0 million for undeveloped land and inheritable building rights granted, € 1,194.7 million for assets under construction, € 1,154.4 million for development, € 1,200.1 million for nursing portfolio and € 1,248.4 million for other.

Rent and Rental Growth by Country

	In-place rent*			Rent increase	
	Total (p. a. in € million)	Residential (p. a. in € million)	Residential (in €/m²)	Organic (in %)	Market rent forecast valuation (in % p. a.)
Vonovia Germany	1,942	1,863	7.19	3.9	1.6
Vonovia Sweden	358	332	10.31	3.2	2.0
Vonovia Austria	110	89	4.89	2.8	1.7
Vonovia without Deutsche Wohnen	**2,411**	**2,284**	**7.38**	**3.8**	**1.7**
Deutsche Wohnen	824	772	7.20	1.2**	1.3

* Shown based on the country-specific definition.
** Deutsche Wohnen like-for-like definition.

As of December 31, 2021, the Group's real estate portfolio across Germany comprised 505,330 residential units, 126,200 garages and parking spaces and 6,558 commercial units distributed across 485 cities, towns and municipalities. The total living area amounted to 31,187,503 m², with the average apartment size coming in at around 62 m². With a vacancy rate of 2.1%, an average monthly in-place rent of € 7.19 per m² was generated in Germany. The annualized in-place rent for the residential portfolio as of December 31, 2021, came to € 2,635 million for apartments.

In Sweden, the Group's real estate portfolio comprised 38,486 residential units spanning a total living area of 2,748,539 m², 24,952 garages and parking spaces and 2,137 commercial units. With a vacancy rate of 2.3%, the residential portfolio generated annualized in-place rent of € 332 million as of December 31, 2021. The apartments, which average 71 m² in size, generate a monthly in-place rent of € 10.31 per m² (inclusive). Most of them are located in the Stockholm, Gothenburg and Malmö regions.

In the Austrian portfolio, which is largely located in Vienna, Vonovia achieved an annualized in-place rent of € 89 million as of December 31, 2021, with a vacancy rate of 5.3% in the residential portfolio, which comprises 21,518 units covering total living space of 1,593,540 m². The monthly in-place rent amounted to € 4.89 per m² with an average apartment size of around 74 m². The portfolio also comprised 16,863 garages and parking spaces and 594 commercial units.

Changes in the Portfolio

In the second half of the year, the takeover of Deutsche Wohnen saw Vonovia acquire a portfolio of 154,717 apartments, mainly in the greater Berlin region and in the Dresden, Leipzig and Frankfurt am Main areas. The portfolio was as follows at the time of the takeover:

				In-place rent	
	Residential units	Living area (in thou. m²)	Vacancy (in %)	Residential (p. a. in € million)	Residential (in €/m²)
Deutsche Wohnen*	154,717	9,303	1.6	782	7.17

* Shown based on the Deutsche Wohnen definition.

In the course of 2021, properties from the portfolio earmarked for sale were also disposed of in several transactions as part of the implementation of the portfolio management strategy. At the time of each transfer of possession, benefits and encumbrances, the statistics for the portfolios sold were as follows:

				In-place rent*	
	Residential units	Living area (in thou. m²)	Vacancy (in %)	Residential (p. a. in € million)	Residential (in €/m²)
Disposal portfolios 2021	696	40.9	11.9	2.3	5.46

* Shown based on the country-specific definition.

After the reporting date, the benefits and encumbrances relating to the majority of the 14,750 apartments from the "Future and Social Pact for Housing" were transferred to municipal housing companies berlinovo, degewo and HOWOGE in early January 2022. In addition to the acquisition and sale of larger housing stocks, Vonovia's portfolio changed in 2021 as a result of additions arising from tactical acquisitions, the construction of new apartments and attic extensions on the one hand, and disposals of condominiums and multi-family residences from the portfolio earmarked for sale on the other.

Vonovia invests in its strategic holdings in particular in line with its climate path to promote sustainability and in line with its innovation strategy. We act on behalf of neighborhoods with the (new) development of our urban portfolios. Against this backdrop, we split our strategic portfolios into neighborhoods (urban quarters) and solitary properties (urban clusters) to which the options for action available as part of the strategy and business model are applied in an adaptive manner.

Following the implementation of the annual structured reassessment of all potential, as of December 31, 2021, Vonovia's portfolio is as follows:

Portfolio and Fair Value by Strategy*

	Portfolio			Fair value**	
	Residential units	Living area (in thou. m²)	Vacancy (in %)	(in € million)	(in €/m²)
Strategic	328,811	20,406	2.1	50,015.8	2,391
Urban Quarters	239,617	14,740	2.2	35,776.6	2,378
Urban Clusters	89,194	5,666	2.0	14,239.3	2,425
Recurring Sales	24,085	1,609	2.9	4,242.0	2,578
Non-core Disposals	1,067	88	12.3	206.6	1,682
Vonovia Germany	**353,963**	**22,103**	**2.2**	**54,464.5**	**2,401**

* Excl. assets of Deutsche Wohnen.
** Fair value of the developed land excluding undeveloped land and inheritable building rights granted, assets under construction, development and other.

Rent and Rental Growth by Strategy*

	In-place rent**			Rent increase
	Total (p. a. in € million)	Residential (p. a. in € million)	Residential (in €/m²)	Organic (in %)
Strategic	1,791	1,719	7.18	4.0
Urban Quarters	1,267	1,223	7.07	4.0
Urban Clusters	523	496	7.45	4.2
Recurring Sales	142	137	7.29	2.8
Non-core Disposals	9	7	8.12	3.5
Vonovia Germany	**1,942**	**1,863**	**7.19**	**3.9**

* Excl. assets of Deutsche Wohnen.
** Shown based on the country-specific definition.

In order to boost transparency in portfolio presentation, we also break our portfolio in Germany down into **15 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 surroundings, mainly urban areas. Our decision to focus on the regional markets that are particularly relevant to Vonovia is our way of looking ahead to the future and provides an overview of our strategic core portfolio in Germany.

In relation to the fair value of Vonovia, 93% of our German portfolio excluding Deutsche Wohnen is located in 15 regional markets. Only a small part of our strategic stock is located outside of these 15 markets. We have referred to this group as "Other Strategic Locations" (around 7% of the total fair value). Our stocks earmarked for sale from the "Non-core Disposals" and "Recurring Sales" subportfolios in locations that do not include any strategic stocks are shown as "Non-strategic Locations." The fact that our portfolio is spread nationwide makes us more independent of the circumstances prevailing on individual regional markets.

As of December 31, 2021, the German portfolio is as follows, broken down into regional markets:

Portfolio and Fair Value by Regional Market*

	Portfolio			Fair value**		
	Residential units	Living area (in thou. m²)	Vacancy (in %)	(in € million)	(in €/m²)	In-place rent multiplier
Berlin	45,838	2,927	1.2	8,964.6	2,962	34.7
Rhine Main Area	27,103	1,731	1.6	5,605.9	3,182	30.1
Southern Ruhr Area	43,012	2,649	2.9	5,267.0	1,958	24.9
Rhineland	28,846	1,933	2.3	4,963.1	2,502	27.2
Dresden	38,461	2,194	3.3	4,656.1	2,032	26.7
Hamburg	19,647	1,241	1.4	3,611.8	2,833	30.9
Kiel	24,404	1,399	2.1	3,005.5	2,076	25.4
Munich	9,681	636	0.9	2,742.7	4,195	39.1
Stuttgart	13,603	854	1.5	2,551.9	2,934	29.2
Hanover	16,137	1,021	2.1	2,392.3	2,299	27.1
Northern Ruhr Area	24,969	1,540	2.8	2,179.9	1,402	19.2
Bremen	11,830	717	2.9	1,484.2	2,018	27.2
Leipzig	8,915	576	2.3	1,229.6	2,025	26.9
Westphalia	9,451	617	2.3	1,173.3	1,879	23.5
Freiburg	4,036	276	1.0	788.7	2,829	29.3
Other Strategic Locations	26,569	1,689	2.7	3,611.2	2,103	24.4
Total Strategic Locations	**352,502**	**21,998**	**2.2**	**54,227.9**	**2,404**	**28.1**
Non-Strategic Locations	1,461	105	5.4	236.6	1,848	24.9
Vonovia Germany	**353,963**	**22,103**	**2.2**	**54,464.5**	**2,401**	**28.0**

* Excl. assets of Deutsche Wohnen.
** Fair value of the developed land excluding undeveloped land and inheritable building rights granted, assets under construction, development and other.

Rent and Rental Growth by Regional Market*

	In-place rent**			Rent increase	
	Total (p. a. in € million)	Residential (p. a. in € million)	Residential (in €/m²)	Organic (in %)	Market rent forecast valuation (in % p. a.)
Berlin	258	245	7.10	8.4	1.8
Rhine Main Area	186	180	8.81	3.1	1.8
Southern Ruhr Area	212	206	6.67	4.1	1.5
Rhineland	183	174	7.70	3.3	1.6
Dresden	175	165	6.46	2.3	1.6
Hamburg	117	112	7.64	2.8	1.6
Kiel	118	113	6.87	4.2	1.6
Munich	70	66	8.76	4.0	1.9
Stuttgart	87	84	8.42	3.4	1.8
Hanover	88	85	7.10	2.5	1.6
Northern Ruhr Area	114	110	6.14	2.4	1.1
Bremen	55	52	6.28	3.1	1.6
Leipzig	46	43	6.38	3.6	1.6
Westphalia	50	49	6.75	3.8	1.5
Freiburg	27	26	7.99	4.1	1.6
Other Strategic Locations	148	143	7.27	3.6	1.5
Total Strategic Locations	**1,933**	**1,855**	**7.19**	**3.9**	**1.6**
Non-Strategic Locations	9	8	6.80	2.3	1.5
Vonovia Germany	**1,942**	**1,863**	**7.19**	**3.9**	**1.6**

* Excl. assets of Deutsche Wohnen.
** Shown based on the country-specific definition.

Portfolio in the Development Business

It is under the strong BUWOG brand that the development business area has become firmly established in Vienna and Berlin and associated with the very highest levels of customer satisfaction for our stakeholders. Residential construction projects are currently also being developed in the Rhine-Main region, Hamburg and Leipzig. Vonovia aims to expand the development business to include other urban areas, particularly now that the new construction business on property that already belongs to the company has also been incorporated into the development segment.

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, Vonovia, with the BUWOG brand, ranks among Germany's leading building contractors and is the most active private building contractor in Austria.

As a major player in the residential real estate segment, Vonovia is able to use its property development expertise to offer targeted solutions in response to current challenges such as the shortage of housing, climate change, integration and cross-generational housing. These challenges can be tackled successfully through long-standing experience, extensive market and sector expertise and intensive, ongoing market analysis, making a valuable contribution to society and to Vonovia.

The acquisition of Deutsche Wohnen SE in the current fiscal year allowed the company to also acquire a substantial and very attractive development pipeline. Its regional distribution across the core regions of Berlin, Dresden/Leipzig, Hamburg, Stuttgart and Munich will facilitate the faster expansion of the development business to cover the whole of Germany. With the skills of the two companies now bundled and the options available for exploiting synergy potential, the challenges facing the residential real estate market can be addressed more quickly and efficiently.

Development Business Model

Development Business Model

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.

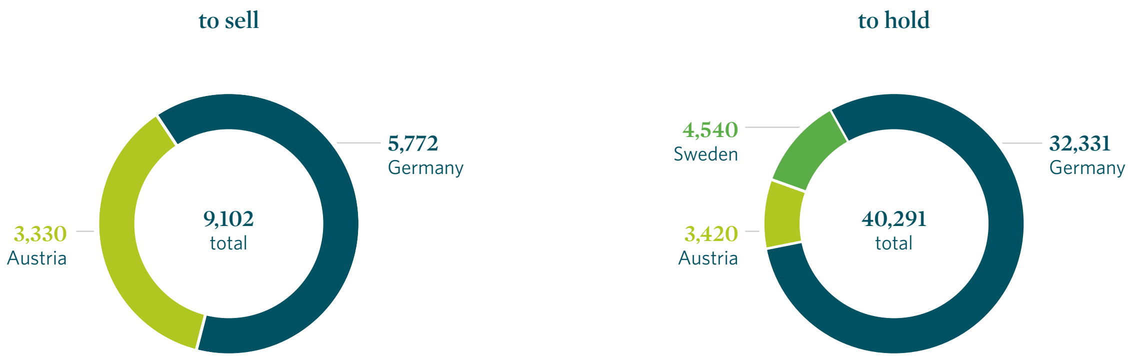
> **Development to hold** refers to those residential construction projects whose apartments will be added to Vonovia's rental portfolio upon their completion. This area also includes Vonovia's pre-existing new construction business, which involves building new residential units on property that already 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.

Value Creation and Project Development
Vonovia is the leading residential real estate company in Germany and, together with its subsidiaries in Germany, Austria and Sweden, makes a key contribution to alleviating the shortage of housing through its real estate development activities. 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 development value chain internally allows the company to generate additional earnings contributions.

These additional earnings contributions can be generated sustainably thanks to Vonovia's extensive development pipeline, which is distributed among Germany, Austria and Sweden.

Overview of Key Development Figures
In the 2021 fiscal year, the Development segment, with its Development to sell and Development to hold areas, made positive contributions to earnings in Germany, Austria and Sweden, therefore contributing to Vonovia's successful

Development to Sell and Hold (Number of Units)



Valuable Contributions to Society and the Group

Development

1 Akquisition	2 Development	3 Planning	4 Construction	5 Marketing and Sales
> Identification of acquisition opportunities > Assessment of development opportunities > Due diligence (legal, tax, technical, environmental, etc.) > Cross-disciplinary acquisition teams > Development of project pipeline, property database	> Design idea > Analysis of market and regulations > District and city representatives, citizens, service providers and other stakeholders > Construction optimization and city development > Coordination of zoning	> Integral planning and cross-disciplinary project teams > Type and product development > Determination of aesthetic, ecological, functional and economic requirements > Detailed project calculation > Professional planning > Coordination of construction approval process	> Preparing for construction > Procurement and awarding of construction contracts > Trade coordination/construction management > Construction > Quality control	> Development of marketing concepts > Sale > Initial rental > Customer service and aftercare

growth. The following key figures as of December 31, 2021 are still presented without the inclusion of Deutsche Wohnen.

In the **Development to sell** area, the income from disposal of properties came to € 503.7 million, with € 241.1 million attributable to project development in Germany and € 262.6 million attributable to project development in Austria. Income from interim leasing totaling € 3.1 million was also generated. A total of 762 residential units were completed in 2021, 678 in Germany and 84 in Austria.

As of December 31, 2021, there were 9,102 residential units in the "to sell" development portfolio, 2,310 of which related to projects under construction, 2,936 to projects from the short-term pipeline and 3,856 to projects from the medium-term pipeline. The share attributable to project development in Germany came to 5,772 units (898 of which related to projects under construction, 2,486 to projects from the short-term pipeline and 2,388 to projects from the medium-term pipeline). The share attributable to project development in Austria came to 3,330 units (1,412 of which related to projects under construction, 450 to projects from the short-term pipeline and 1,468 to projects from the medium-term pipeline).

In the **Development to hold** area, a fair value of € 362.3 million was realized, with € 296.6 million attributable to Germany, € 44.3 million to Austria and € 21.4 million to Sweden. Income from interim leasing totaling € 1.8 million was generated. A total of 1,373 residential units were completed in this area with 1,073 in Germany, 126 in Austria and 174 in Sweden.

As of December 31, 2021, there were 40,291 residential units in the "to hold" development portfolio, 3,543 of which related to projects under construction, 4,535 to projects from the short-term pipeline and 32,213 to projects from the medium-term pipeline. The share attributable to Germany came to 32,331 units (2,292 of which related to projects under construction, 4,366 to projects from the short-term pipeline and 25,673 to projects from the medium-term pipeline). The share in Austria came to 3,420 units (1,026 of which related to projects under construction and 2,394 to projects from the medium-term pipeline). The share attributable to Sweden came to 4,540 units (225 of which related to projects under construction, 169 to projects from the short-term pipeline and 4,146 to projects from the medium-term pipeline).

Adjusted EBITDA of € 187.7 million was generated in the **development segment as a whole**. As of December 31, 2021, the total volume of the development portfolio was 49,393 residential units (a total of 5,853 units from projects under construction and a total of 43,540 units from the pipeline).

Sustainable and Successful Development

Conceptual and technical solutions for the resource-light construction and sustainable operation of neighborhoods make up a key component of the development business model. In line with the three focal issues of urbanization, energy efficiency and demographic change, central aspects of sustainability are already taken into account in the early stages of project development. This includes designing socially diverse neighborhoods that offer housing for all generations, realizing energy-efficient new construction projects for ecologically sustainable operation by buyers, as well as for a carbon-neutral portfolio, and creating barrier-free and fully accessible housing for an aging society with changing housing needs. The use of timber as a renewable raw material plays a central role in this process, for example in the wood-hybrid construction and timber frame construction projects in Berlin and Vienna.

Sustainability is achieved at all stages in the residential real estate value chain – from the selection of building materials that are as ecological and recyclable as possible, to the commissioning of local craftsmen and service providers, and the sustainable operation of the development projects.

Certification is important to ensure that potential improvements can be made back at the planning stage on the basis of criteria for ecological, social and economic sustainability and managed during the construction process. The "MARINA TOWER," for example, a joint project involving BUWOG and IES Immobilien, was given gold status by the klimaaktiv climate protection initiative and was also awarded the Austrian Sustainable Building Council's (ÖGNI) gold sustainability certificate. BUWOG's sustainable activities in Vienna have also been recognized with the Greenpass sustainability certificate for the "Kennedy Garden" project. The "BUWOG NEUMARIEN" new construction project in Berlin-Neukölln was also awarded another gold certification by the German Sustainable Building Council (DGNB). Other major development projects in the planning stages have already been registered for DGNB pre-certification, including the development of the Bayerischer Bahnhof district in Leipzig comprising around 1,300 apartments.

The application and further development of innovative solutions is being driven in collaboration with universities and networks for research and knowledge transfer. These endeavors include the areas of sustainable energy generation, innovative mobility concepts and Smart City, as implemented, for example, in the plans for the "Das Neue Gartenfeld" project.

As part of the cooperation with Open District Hub e. V., an ICT ecosystem is to be developed to support fully integrated and fully automated sector coupling at neighborhood level while also meeting the needs of the user community. A cooperation project has been launched with the raw materials platform Madaster so that Vonovia can register, document and archive materials used in buildings. This is laying the foundation for the circular use of products and materials in the construction industry.

Representative Project Development Measures

Germany

Preparatory stages

Bautz district, Hanau
Located on a former industrial site in the Großauheim district, a residential neighborhood spanning 18 hectares is being created and will feature around 1,400 apartments, a daycare center and commercial facilities to support the residential environment, including local amenities. A park approximately 300 meters long is to run through the neighborhood, combining local recreation opportunities with ecological qualities. The mixed offer of apartments is expected to consist of equal shares of condominiums and rental apartments, some of which will be rent-restricted. The site also features an existing building protected as a historical landmark that will be renovated in line with the requirements that apply to landmarked buildings and then made available for a catering property. The integrated sustainability concept includes car-sharing services and the use of geothermal and solar energy. The neighborhood is scheduled to be completed by 2030.

https://www.buwog.de/en/projekt/bautz-quartier

Under construction

BUWOG HELLING HOF, Berlin
In the 52° Nord neighborhood, 109 residential units with between two and six rooms are being built as part of an additional construction phase. The BUWOG HELLING HOF residential complex consists of three new multi-family residences and a historic brick building that is being refurbished and converted for residential use. Almost all of the apartments have a balcony, a terrace or a private south-facing garden. The scheduled completion in 2023 will mark another milestone in the sustainable neighborhood, which spans around ten hectares. The project's ecological features include an energy center, green roofs and a 6,000-square-meter landscaped pond, which, based on the model of the "sponge city," collects rainwater and feeds it into the natural water cycle.

www.52grad-nord.de

BUWOG KILIANSHÖHE, Kilianstädten

As a district of the Schöneck municipality, Kilianstädten is part of the Großer Frankfurter Bogen (Greater Frankfurt Arc) growth initiative and is situated within 30 minutes of Frankfurt am Main. BUWOG is currently constructing a new neighborhood spanning 6,500 square meters with 82 apartments spread over eight multi-family residences. Different building heights and the fact that the site is located on a slight slope give residents an attractive view of the surrounding meadows. Some of the apartments will be barrier-free. The project will also feature a specially designed outdoor area with play areas for children and space for recreation.

www.kilianshoehe.de

BUWOG SPEICHERBALLETT, Berlin

A sustainable residential district is being created in Spandau on the banks of the Havel river. During the first phase of construction, two historical warehouses were renovated to house 82 condominiums. Permission was granted to demolish the third historical warehouse. A new building is currently being constructed in its place with a similar cubic volume to the historical property and offering space for 46 condominiums. In addition, HAVELKIESEL will feature another 100 apartments in three buildings with photovoltaic facilities installed on the roofs and systems allowing rainwater to be used for garden irrigation and toilet flushing. 260 rental apartments are also scheduled to have been constructed by 2023.

www.speicherballett.de

Completed

BUWOG THE VIEW, Berlin

The architecturally impressive residential complex BUWOG THE VIEW, housing a total of 63 apartments, was built in Berlin-Grünau. The three buildings are located directly on the banks of the River Dahme, and the mix of materials and design used tie in with the maritime theme. The building in the center, made of concrete, timber and aluminum, features what appears to be a floating pier running parallel to the facade. The pier is a hybrid combining private balconies with an access feature at the same time. This building is surrounded by two buildings featuring pointed edges that rise up like a ship's bows, while the facades made of black-glazed timber and reddish weathering steel evoke the shape of ship hulls.

www.52grad-nord.de

Austria

Preparatory stages

DECK ZEHN, Vienna

"DECK ZEHN," which is being built in the immediate vicinity of Vienna's central railway station, offers the perfect environment for all lifestyles. All 229 apartments are equipped with outdoor areas and future residents will be able to enjoy an impressive panoramic view of the city from the rooftop terrace of the eleven-story project. A multifunctional communal terrace, a co-working space and a sauna area offer a state-of-the-art living experience. The project is scheduled for completion at the end of 2023.

www.deckzehn.buwog.at

Under construction

The Marks – HELIO TOWER, Vienna

In Vienna's third district, located in the Neu Marx complex, three high-rise residential buildings known as "The Marks" are under construction on top of an urban three-story base construction. BUWOG is developing the HELIO TOWER, spanning 33 stories, as part of the joint project. The development will include a total of 228 independently financed condominiums and 173 rental apartments as part of Vienna's Housing Construction Initiative, with completion scheduled for the end of 2022.

www.helio.buwog.com

Kennedy Garden, Vienna

Taking inspiration from the Kennedy Bridge named after J.F. Kennedy, BUWOG is building the Kennedy Garden project just a few minutes' walk away. A total of 512 condominiums and rental apartments will be split over six architecturally unique building components in an idyllic green area. The project's selling points include not only ideal public transport connections and proximity to leisure opportunities, but also its innovative sustainable and environmentally friendly focus.

www.kennedygarden.buwog.at

Completed

MARINA TOWER, Vienna

The project, featuring around 500 premium residential units, enjoys excellent transport connections thanks to its prime location and also offers a whole host of extras for residents and the general public alike. One example is a sustainable mobility concept. A deck has also been used to connect the development to the right bank of the Danube, opening up generous open spaces for public access and also making a key contribution to urban development.

www.marinatower.at

Management System

Management Model

Our management system is based on our → corporate strategy and our sustainable business activities.

In the 2021 fiscal year, Vonovia conducted its business via the four segments Rental, Value-add, Recurring Sales and Development up until the first-time consolidation of the Deutsche Wohnen Group. In the fourth quarter of 2021, Deutsche Wohnen was added as a fifth segment. This structure will apply until a decision has been made on the future segment structure following the completion of the work to integrate the Deutsche Wohnen business in 2022.

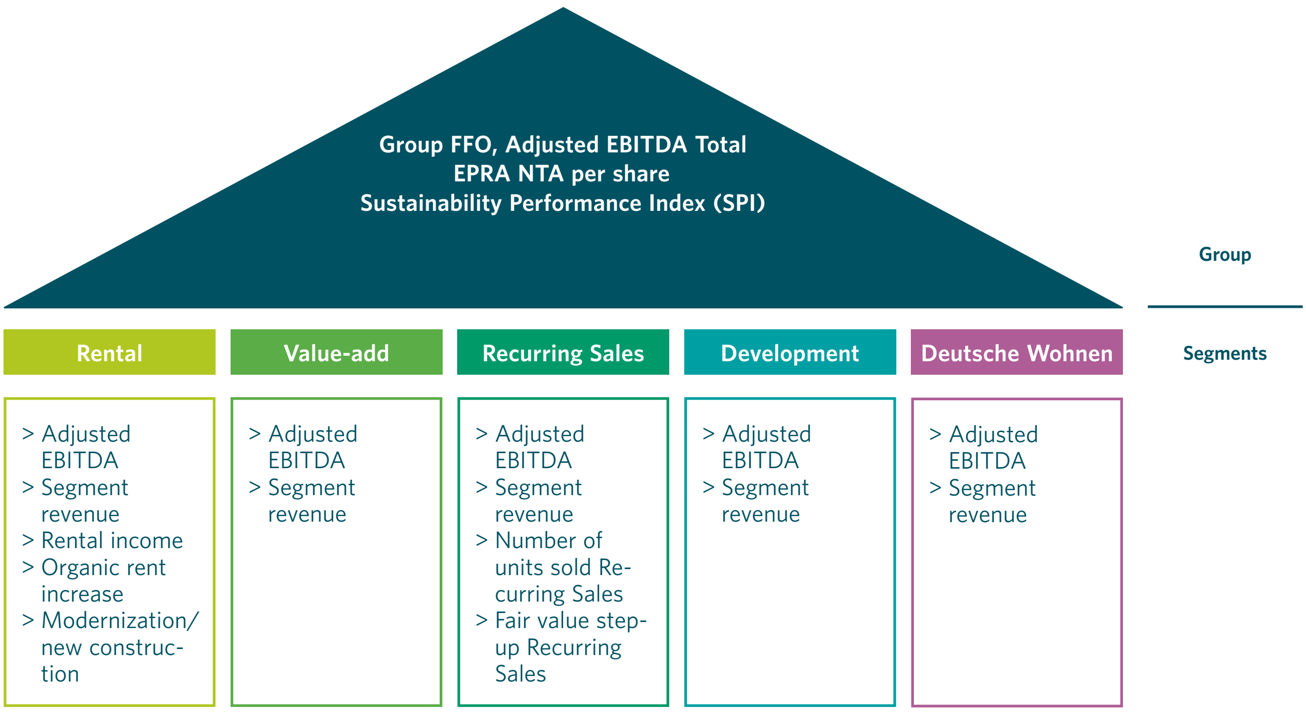
The Rental segment combines all of the business activities that are aimed at the value-enhancing management of our own residential real estate. It includes our property management activities in Germany, Austria and Sweden.

The 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. 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 includes project development to build new homes. 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. 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 our own portfolio.

The Deutsche Wohnen segment includes all the activities of the Deutsche Wohnen Group (excluding effects from Non-core disposals). 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 additional business areas. The Deutsche Wohnen Group uses these business areas to offer property-related services, such as energy-efficiency property management, the multimedia business and technical facility management, via subsidiaries or strategic shareholdings.



Performance Indicators

The management system has a modular structure and makes a distinction between performance indicators at Group level (most meaningful performance indicators within the meaning of DRS 20) and those at segment level.

We make a distinction between **financial** and **non-financial performance indicators**.

We have an integrated Group-wide planning and controlling system in place that is based on central performance indicators. Based on the medium-term plans derived from our strategy, which are subject to an annual review and are updated during the year in the event of significant transactions, we prepare a budget for all areas of the Group. In the course of the fiscal year, current business developments are compared with these targets and the current forecasts on a regular basis for all key figures that are relevant to control. The business is then steered accordingly in a targeted manner, with any necessary countermeasures being initiated and tracked.

At **Group level, Group FFO,** the **adjusted EBITDA Total,** the **EPRA NTA per share** and the **Sustainability Performance Index** are our most meaningful performance indicators.

At the segment level, we look not only at the adjusted EBITDA, but also at the segment revenue in order to measure not only rental income in the Rental segment but also performance in the Value-add, Development and Recurring Sales segments. The segment revenues generated by all of the segments make up the total segment revenue. Its development over time serves as an additional growth indicator for Vonovia.

Our management system includes the following key figures:

Financial Performance Indicators

Group FFO is key for managing the sustained operational earnings power of our business. It is calculated as follows:

Calculation of Group FFO

	Revenue in the Rental segment
(-)	Expenses for maintenance
(-)	Operating expenses in the Rental segment
=	Adjusted EBITDA Rental
	Revenue in the Value-add segment
	thereof internal revenue
	thereof external revenue
(-)	Operating expenses in the Value-add segment
=	Adjusted EBITDA Value-add
	Revenue in the Recurring Sales segment
(-)	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
	Revenue from the 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 Deutsche Wohnen
Σ	Adjusted EBITDA Total
(-)	FFO interest expense
(-)	Current income taxes FFO
(-)	Consolidation
=	Group FFO

The individual EBITDA figures, after adjustments to reflect effects that do not relate to the period, recur irregularly or are atypical for business operation, form the basis for the operational management of the five segments.

The Adjusted EBITDA Rental reflects the operating profit from residential property management. It can be broken down into three central components: Rental segment revenue, expenses for maintenance and operating expenses in the Rental segment. The latter include all expenses and income that do not relate to expenses for maintenance or rental income in the Rental segment. In addition to the expenses for maintenance, we make large-scale investments in our real estate portfolios, with a distinction being made between capitalized maintenance and value-enhancing investment in modernization and new construction measures for our own portfolio. The total amount of all maintenance, modernization and new construction measures includes the services performed by the Group’s own craftsmen’s organization, valued at the market price, and any third-party services that have been purchased, including the development activities for the company’s own portfolio.

We manage business activities in the Value-add segment using the Adjusted EBITDA Value-add.

We measure the success of the Recurring Sales segment using Adjusted EBITDA Recurring Sales. The Adjusted EBITDA Recurring Sales compares the proceeds generated from the privatization business with the fair values of properties sold and 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 5, have to be adjusted to reflect realized/unrealized changes in value.

The Development segment is managed via the Adjusted EBITDA Development. In addition to the revenue from the sale of residential properties built in the reporting year to third parties and the associated costs, we also record the fair value that newly constructed properties create for our own portfolio, as well as the associated costs, as a means of measuring the success of the Development segment.

In the Deutsche Wohnen segment, we report all business activities of the Deutsche Wohnen Group for the three months of 2021 in which it belonged to the Group. These include real estate management, the sale of apartments (excluding effects from Non-core disposals, which are presented in the "Other" column of the segment report), Development and the Care business. We measure the success of these business activities via the Adjusted EBITDA Deutsche Wohnen.

The Adjusted EBITDA Total is calculated as the sum total of the Adjusted EBITDA figures for our five segments. It expresses the overall performance of our sustainable operating business before interest, taxes, depreciation and amortization.

As financing is a fundamental component for the success of our business activities, we deduct the current interest expense, adjusted for special circumstances (FFO interest expense), from the Adjusted EBITDA Total. Taking current income taxes and consolidation effects into account, this allows us to calculate Group FFO, the key figure for the sustained earnings power of our business.

When it comes to managing the growth of our company, we also focus on total segment revenue. Total segment revenue includes all income generated by the five segments that contributes to value creation, i.e., that covers costs and makes an earnings contribution.

Calculation of Total Segment Revenue

	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 the disposal of properties (Development)
(+)	Fair value Development to hold
=	**Total Segment Revenue**

In addition to our operational earnings power, the value of our property assets and our modernization and new construction measures are decisive for the further development of our company.

The **EPRA Net Tangible Assets (EPRA NTA)** is used to manage the company's value. Our calculations are based on the best practice recommendations of the EPRA (European Public Real Estate Association). The indicator that is relevant from a corporate management perspective is the **EPRA NTA per share.**

Calculation of EPRA NTA

	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**
(/)	no. of shares as of the reporting date
=	**EPRA NTA per share**

* Share for core and hold portfolio.
** Adjusted for effects from cross currency swaps.

An additional non-operational key financial figure, the **loan-to-value ratio (LTV ratio)** is also 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 sustainable ratio of borrowings to the fair values of our properties.

All of the key financial figures shown here are known as "non-GAAP" measures or **alternative performance measures (APMs),** i.e., key figures which cannot be taken directly from the figures in the consolidated financial statements according to IFRS. The financial performance indicators can, however, all be reconciled to the closest-possible key figure in the consolidated financial statements.

Non-Financial Performance Indicators

We also focus on non-financial operating performance indicators as drivers for our key financial figures.

Our business activities are aimed at protecting the environment, ensuring trustworthy, transparent and reliable corporate governance and taking social responsibility for our customers and employees. We aim to make our contribution to climate protection for society with our sustainable new construction and modernization measures, to be a transparent and reliable partner for our stakeholders, to offer our tenants homes at fair prices that meet their needs together with housing-related services and reliable service, and to be an attractive employer for our employees, offering them prospects and paying due attention to diversity and equal opportunities.

In line with this focus, we have introduced the **Sustainability Performance Index** as a key non-financial control parameter. Indicators used in the new Sustainability Performance Index are the carbon savings achieved annually in housing stock, the energy efficiency of new buildings, the share of accessible (partial) modernization measures in relation to newly let apartments, the increase in customer and employee satisfaction and diversity in the company's top management team.

Each component is assigned an individual weighting factor and a defined annual target amount. The individual weighted targets add up to a target of 100% that we aim to achieve every year.

The indicator values for the Sustainability Performance Index for the 2021 fiscal year and the objectives for 2022 relate exclusively to Vonovia, without including Deutsche Wohnen. The calculation of the index will be expanded to include the business activities of Deutsche Wohnen in the course of the coming fiscal year, and these will also be taken into account when future targets are set.

Sustainability Performance Index (SPI)

- CO_2 intensity in the housing stock →
- Sustainable and energy-efficient new construction →
- Homes that are (partially) modernized to make them fully accessible →
- Increase in customer satisfaction →
- Increase in employee satisfaction →
- Diversity in the management team →

Sustainability Performance Index

The **organic rent increase** refers to the increase in the monthly in-place rent for the residential 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. The monthly in-place rent per m² gives information on the average rental income from the rented properties as of the relevant reporting date.

The **vacancy rate** also shows the proportion of residential units in our own portfolio that are not rented and therefore generate no rental income. It can serve as an early-warning indicator, e.g., to identify non-marketable apartments. The vacancy rate and the average rent are key drivers for the development of our key figures related to the management of rental income. They serve as essential **early warning indicators**.

The **number of units sold** from **Recurring Sales** shows our ongoing efforts in the privatization business. In addition to this, we report the Non-core Disposals.

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. It shows the percentage increase in value for the company on the sale of a unit before further costs of sale.

Report on Economic Position

Key Events During the Reporting Period

2021 remained dominated by the coronavirus pandemic, both at work and beyond. Vonovia's business model has, however, proven to be robust and resilient throughout the entire coronavirus pandemic. As the pandemic is still not having any considerable impact on its net assets, financial position and results of operations, Vonovia can also report positive business development in 2021. Customer satisfaction increased further during the pandemic, with the customer satisfaction index (CSI) improving by 1.3 percentage points in the fourth quarter of 2021, putting it 3.2 percentage points higher than the average for the previous year.

The 2021 fiscal year was also largely dominated by the public takeover offer submitted by Vonovia to the shareholders of Deutsche Wohnen SE and the associated financing measures.

Whereas the first takeover offer of June 23, 2021 did not reach the necessary threshold, the second attempt – with an offer of € 53.00 per share submitted on August 23, 2021 – resulted in the acquisition of 87.36% of shares and therefore acquisition of the majority of Deutsche Wohnen SE.

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

On September 13, 2021 Vonovia announced that it would be waiving all terms and conditions of acceptance for the takeover offer for shares in Deutsche Wohnen. This meant that all the closing conditions – in particular the minimum acceptance threshold – ceased to apply, and the acceptance deadline was extended by two weeks until October 4, 2021. As of September 30, 2021 Vonovia held 50.38% of 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). Thus Vonovia held the majority of the voting rights and had obtained control. At the end of the second tender period, Vonovia ultimately held 87.36% of the shares.

This means that the Deutsche Wohnen Group was included by way of full consolidation in Vonovia's consolidated financial statements for the first time as of September 30, 2021. Due to the close proximity of the acquisition date to the time of preparation of these financial statements, the purchase price allocation can only be made on a provisional basis as of the current reporting date. With its first-time consolidation as of September 30, 2021 the Deutsche Wohnen Group is included in the year-end business figures for a period of three months. This means that any comparison with the previous year is only of limited informational value.

In order to finance the transaction, Vonovia had concluded bridge financing with a banking consortium in a total amount of around € 20 billion. After Vonovia had already placed five bonds with a total volume of € 4 billion with an average interest rate of 0.6875% on June 16, 2021 it placed another bond on September 1, 2021 with a total volume of € 5 billion and an average interest rate of 0.49%.

On December 2, 2021 Vonovia also successfully completed a capital increase with subscription rights on a significant scale of some € 8.1 billion.

These financing measures went hand in hand with a repayment of the bridge financing, which was still valued at € 3,490.0 million as of December 31, 2021.

The rating agencies S&P, Moody's and Scope confirmed their ratings when the takeover was completed. In December 2021, S&P raised its rating outlook for Vonovia from BBB+ "stable" to BBB+ "positive." The Moody's rating is A3 stable and the Scope rating is A- stable.

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 (corresponding to € 1.58 per TERP-adjusted 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 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 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.

Based on an agreement reached with the Berlin State Government on the sale of selected portfolios to municipal housing companies in Berlin, the contract with HOWOGE, degewo and berlinovo on the sale of 14,750 residential and commercial units from Vonovia's and Deutsche Wohnen's portfolios was concluded on September 17, 2021. The benefits and encumbrances will be transferred in 2022.

During the 2021 fiscal year, the company once again forged ahead with the digitalization of its entire value chain and took systematic measures to further refine its business model in line with sustainability criteria.

2022 will be dominated by the integration of the Deutsche Wohnen Group.

Development of the Economy and the Industry

Germany

The German economy has bounced back despite the ongoing pandemic and supply bottlenecks. According to preliminary calculations by the Federal Statistical Office (Destatis), gross domestic product (GDP), expressed in price-adjusted terms, increased by 2.8% year-on-year in 2021. After a weak winter half-year due to the pandemic, the German government expects the German economic recovery to pick up speed. It estimates a GDP-increase of 3.6% in 2022.

Although almost all sectors of the economy were able to increase their output in 2021, the economy has not yet returned to the pre-crisis level. In the public services sector, the drop in economic output seen in the crisis-ridden year of 2020 was almost offset in 2021. The construction sector was able to hold its own during the pandemic and increase its economic output significantly as against 2019. The negative impact of the pandemic is reflected, in particular, in the segment comprising other service providers, although manufacturing, too, remains below the 2019 level. According to the Kiel Institute for the World Economy (IfW), GDP will return to the pre-crisis level in the second quarter of 2023.

The ongoing fourth wave of infections, coupled with material and supply bottlenecks, slowed the catch-up process down considerably in the closing quarter of 2021. Once again, services involving personal contact and industry were particularly hard hit. The ifo institute predicts that private consumption will only have grown by 0.4% in 2021. From the spring onwards, the infection figures are likely to decline again in line with the general seasonal trend, and private consumption will start expanding significantly again. After subdued development in 2021, investments will also make a substantial contribution in the current year. Government consumer spending was yet again one of the main factors propping up German economic growth in 2021 (+3.0%). In particular, the state increased its spending on medical measures, e.g., for free lateral flow tests and the procurement of coronavirus vaccines. The IfW expects a slight decrease in government consumption in 2022. Foreign trade recovered in 2021 after plummeting in the previous year. Germany's exports of goods and services abroad were up by 9.4% on 2020. Imports increased by 8.6% at the same time. Looking ahead to 2022, the German government expects imports to grow at a faster rate than exports due to strong domestic demand, with balanced net exports.

The labor market started to mount a marked recovery in the summer. According to the German Federal Employment Agency (Bundesagentur für Arbeit), the unemployment rate fell by 0.2 percentage points year-on-year to 5.7% in 2021. The IfW expects to see an unemployment rate of 5.2% in 2022.

Driven by higher energy prices, the rate of inflation in 2021 climbed to the highest level seen since 1993 and came in at 3.1% year-on-year according to the Federal Statistical Office. In addition to temporary base effects due to lower prices in 2020, effects resulting from the crisis, such as supply bottlenecks and marked price increases in upstream levels of the economy, were increasingly reflected in the consumer price index. The average inflation rate in 2022 is likely to climb further to 3.6% due to these factors. The European Central Bank (ECB) remained on its expansionary monetary policy course until recently, with key interest rates remaining unchanged at 0% for the main refinancing rate.

Over and above the risks associated with the pandemic and the supply bottlenecks for primary products, the direction of fiscal policy in the forecast period remains a source of uncertainty. The coalition agreement of the new German government includes adjustments to the tax and contributions system regarding both public investment and social benefits that are more likely to strain the government budget than relieve it, thereby stimulating the economy in the short term.

The German residential property market has proven to be very robust during the crisis. According to Helaba, sustained low financing interest rates coupled with the lack of investment alternatives and presumably the appreciation of one's own home due to more people working from home have boosted the demand for residential real estate. There is still excess demand in the residential property market. The empirica price index for condominiums (all years of construction) increased by 13.2% in the fourth quarter of 2021 compared to the same period of the previous year (new construction 12.0%). Apartment rents are once again showing less dynamic development than purchase prices. empirica reports that, across the country, quoted rents were 4.0% higher on average over all years of construction in the fourth quarter of 2021 (new construction 4.4%) than in the same quarter of the previous year. The experts at F+B also identified phases of stagnation or only marginal growth in new contract rents in the course of 2021. The index for net cold rents, excluding ancillary expenses, of the Federal Statistical Office rose by an average of 1.3% in 2021. All in all, the trends were varied. According to the real estate portal Immowelt, quoted rents for existing apartments increased in 69 out of the 80 major German cities analyzed in 2021, although rents are growing at a slower pace than in previous years. Rents in Berlin are on the rise again since the German Federal Constitutional Court declared the rent freeze to be null and void on March 25, 2021. The remaining eleven cities show stagnating or slightly declining quoted rents over the same period. Further price and rent increases are likely to be on the cards for 2022, also because topics such as energy-efficient refurbishment and sustainable construction will determine the future for the residential segment. Not least due to the further widening of the gap between purchase prices and rents, the empirica bubble index for Germany showed a moderate to high risk of a bubble for 338 out of 401 administrative districts and self-governing cities in the fourth quarter of 2021.

According to the German Association of Professional Homeowners (GdW), the situation on Germany's housing markets in attractive conurbations and fast growing regions has developed into a tense market situation. For a long time, the population was growing due to immigration. This process of growth was stopped for the time being in the wake of the coronavirus pandemic. According to initial estimates by the Federal Statistical Office, 83.2 million people were living in Germany at the end of 2021, roughly the same number as at the end of 2020 and 2019. While the increase in the number of deaths was significantly higher than the number of births, the gap was closed by the return to an increase in net migration in 2021. In 2020, net immigration was still on a downward trajectory. In their latest population forecast, the experts from the German Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR) expect the population to continue to grow, not reaching its peak until 2024. The new government envisions Germany as a modern country of immigration and wants to make entry easier for specialists from non-EU countries, for example. According to the head of the German Federal Employment Agency, Germany needs around 400,000 immigrants a year, many more than in the past, to counter the looming shortage of workers. Due to the conditions created by the coronavirus crisis in 2020, the population as a whole did not increase any further, particularly in large independent cities (2020: -0.1%). The somewhat abrupt suspension of immigration from abroad during the lockdown period suggests that this might be a temporary effect. Increasing suburbanization has, however, already been evident for several years now, with the trend relating to internal migration links between Germany's major cities starting to reverse. Capacity in metropolitan areas to accommodate more people moving into the area is scarce. Demand is shifting towards the areas surrounding cities, also thanks to the improved options for working from home or because of a renewed focus on towards the ideal house with a garden on the outskirts of the city or in the surrounding green belt. As fewer people moved to the country's major cities, the drop in vacancies was another trend that came to a standstill, according to CBRE. Nevertheless, there is still a shortage of housing in Germany's major cities, although construction activity is on the rise. The GdW expects to see around 315,000 completions in 2021, compared to 306,000 in 2020. In view of the expected net migration and the shortage of housing that has built up, however, the GdW believes that around 320,000 apartments will need to be constructed every year. The coalition agreement reached between the parties forming the new German government has set a target of constructing 400,000 new homes every year. In spite of the pandemic, price increases and supply bottlenecks, the German Institute for Economic Research believes that the outlook for the construction industry remains positive.

According to CBRE calculations, the residential real estate investment market in Germany achieved a record result in 2021 with a transaction volume of around € 49.1 billion, up by almost 140% on the previous year. Even leaving Vonovia's takeover of Deutsche Wohnen, the biggest transaction in recent years, out of the equation, the investment volume in 2021 outstripped the figure for 2020 by far. CBRE expects to see dynamic transaction activity in the German residential real estate investment market in 2022.

Political measures that had an impact on the housing industry in 2021 include, for example, the Building Land Mobilization Act (Baulandmobilisierungsgesetz) (e.g., provisions designed to facilitate housing construction, approval requirement for the conversion of rental apartments into condominiums), a law designed to make share deals less attractive and a reform of the rent indices legislation. Rent indices have become compulsory for cities with more than 50,000 inhabitants. Uniform requirements will now apply to the preparation of qualified rent indices from July 2022 onwards. The CO_2 pricing system that has been in force since January 1, 2021 is having an impact on housing costs; the price was increased effective from January 1, 2022. The housing allowance was increased at the same time. Other new developments in 2022 include, for example, the phasing out of KfW Efficiency House 55 subsidy and the surprise provisional suspension of the government funding program for efficient buildings just before the end of January 2022. The German government wants to revise the subsidies and statutory standards for new construction. Refurbishment subsidies were already resumed at the end of February. For the new land tax that will apply from 2025 onwards, property owners will already have to submit a corresponding tax return from July 1, 2022. The new government coalition's plans for the coming years include for example measures to step up the construction of (social) housing, new non-profit housing associations, as well as additional regulatory measures, e.g., lowering the capping limit and extending the observation period for rent indices.

Sweden

Sweden's economy fared better than expected in 2021: With projected GDP growth of 4.9%, the GDP-level is already higher than it was at the end of 2019 before the pandemic struck. Somewhat weaker international demand, disruptions affecting production and a slight slowdown in consumption on the back of rising energy prices will contribute to more subdued growth in the quarters ahead, according to the SEB Group. This slowdown will, however, only be of a temporary nature. With vaccination rates on the rise and the lifting of measures to contain the virus, private consumption will be a key growth driver, flanked by rising employment and wages. According to the forecast released by the National Institute of Economic Research (NIER), GDP growth will come in at 3.3% at the end of 2022 before dipping to 2.0% in 2023 as the momentum provided by the post-pandemic catch-up process starts to taper off.

Gross fixed asset investment came as a positive surprise with growth of 6.9% in 2021. Favorable financing conditions, the transition towards a greener economy and digitalization are expected to lead to sustained high investment growth in the corporate sector.

Consumption among private households remains the main factor driving the economic recovery. Inflation that is higher than expected is, however, putting pressure on consumption, and the new restrictions to combat the pandemic in force since January 2022 are also likely to reduce consumption in the service sector in particular. The National Institute of Economic Research (NIER) expects private consumption to increase by 5.2% in 2021 and by 3.9% in 2022. Public consumption expenditure also increased by a substantial 3.4% in 2021, largely in connection with spending on the healthcare system and labor market programs due to the pandemic. The NIER expects to see lower growth of 0.8% in 2022.

Rising consumption and growing investment fueled a boom in import demand in 2021. Supply bottlenecks and supply problems, particularly in the automotive industry, are likely the main reasons explaining why exports could not quite keep up with the import momentum. Nevertheless, the demand outlook for the Swedish export industry is looking promising.

The Swedish labor market continued to strengthen last year. Employment grew at a faster rate than the working-age population, and the shortage of workers has been exacerbated further, particularly in manufacturing and services. The NIER expects the unemployment rate to drop from a projected 8.9% in 2021 to 7.5% in 2022.

CPIF inflation – the increase in the consumer price index with a fixed interest rate – averaged 2.4% in 2021 according to the NIER. It had, however, climbed to 4.1% by the end of the year, driven primarily by higher electricity prices and the rising cost of clothes and transport services. In 2022, the institute expects inflation to increase further to 2.8% due to higher commodity prices. Furthermore, the Riksbank, Sweden's central bank, is expected to leave the repo rate unchanged at 0% until the end of 2023.

In addition to the global economic risks, the following factors are likely to have a particular impact on the Swedish economy: Political complications following the general election in September 2022 and the lack of predictability surrounding the economic policy pursued by the new government, applying the right sense of proportion in the ongoing fight against the coronavirus, and the underestimation of Swedish inflation risks in an environment of mounting interest rate risks at the same time.

The housing market proved to be strong during the pandemic. While the demand for housing is high, the Swedish National Board of Housing, Building and Planning (Boverket) points to uncertainties on the supply side, for example relating to the pace of construction due to uncertain supply situations for various construction products triggered by the pandemic.

According to the Swedish statistics office SCB, rents increased by an average of 1.4% in 2021, a slightly slower rate than in the previous year (2020: 1.9%). Initial results of the rent negotiations for 2022 published by "Hem & Hyra," the member magazine published by the Swedish tenants' association ("Hyresgästföreningen"), already point towards a further increase in rents. Prices for condominiums ("Bostadsrätter") climbed by 7% in 2021 (single-family homes by 13%), according to Svensk Mäklarstatistik, Sweden's independent provider of real estate price statistics. While prices for residential property ownership have increased significantly during the pandemic, the price trend changed into a calmer phase in the course of 2021. According to SEB experts, this is because the special conditions that prevailed during the pandemic, e.g., a trend towards individuals focusing heavily on their own home or the trend towards working from home, are gradually tapering off. The result is a return to more normal conditions, as well as trends toward renewed interest in apartments as opposed to single-family homes, and smaller as opposed to larger apartments. SEB experts still expect to see an upward trend with a moderate increase in prices in 2022.

Sweden has witnessed population growth in recent years and the population is set to increase by 900,000 to more than 11 million in the period between 2020 and 2040, according to a current estimate by the Swedish statistics office SCB. The country's population growth in 2021 is likely to have been comparatively low in the wake of the pandemic. As new construction was unable to keep up with population growth for some time, much of the country is facing a housing shortage. While the number of municipalities with a balanced housing market is increasing, 207 out of 290 municipalities reported a shortage of housing in Boverket's residential property market survey for 2021, including almost all of the municipalities in the greater Stockholm, Gothenburg and Malmö regions. In particular, sections of the population that are new to the housing market (e.g., young people), as well as people with disabilities and older people who want, or indeed need, to move, are finding it difficult to meet their housing needs.

Boverket currently estimates that construction work was completed on around 54,000 apartments in 2021 (incl. additions due to conversion work), with the figure for 2022 expected to come to 61,000. While this would be the highest level seen in 30 years, it is only marginally ahead of volume of properties that need to be constructed in the long run. According to Boverket's estimate, around 60,000 new apartments will need to be built every year between now and 2030 to do justice to the expected population growth and reduce the pent-up housing deficit. The country's three main urban areas account for just under three-quarters of the homes that need to be built. There is a risk that the uncertain supply situation for various construction products will put the brakes on residential construction, particularly in 2022, and the decision to phase out investment subsidies for rental apartments and student housing will likely put a damper on the construction of rental apartments.

According to the independent consultancy company Pangea Property Partners, properties worth € 35.0 billion were traded on the Swedish transaction market in 2021, representing a year-on-year increase of more than 90%. In terms of transaction volume, residential properties were the preferred asset class with a share of 31%.

Austria

The Austrian economy reported strong growth in 2021, with GDP expected to increase by 4.1%, although renewed official restrictions to contain the coronavirus pandemic, ongoing supply bottlenecks and high commodity prices put a damper on the recovery towards the end of the year. At the beginning of 2022, the negative effects of the fourth wave of the coronavirus on tourism, coupled with global supply bottlenecks, remain the factors dominating the Austrian economy. Once these aspects have been resolved, the economy will mount a rapid recovery and grow by 5.2% in 2022, according to calculations by the Austrian Institute of Economic Research (WIFO).

Bolstered by international industrial activity and government subsidy measures, gross fixed capital formation expanded by a considerable 6.4% in 2021 according to the Institute for Advanced Studies (IHS), mainly due to the expansion in equipment (7.3%) and construction (5.5%). Exports benefited from the marked global economic recovery, and domestic export markets presumably expanded by nearly 9% in 2021. The uptick in domestic demand and strong export activity mean that import demand is expected to have increased by 10.4% in 2021. Private consumption increased considerably again last year, growing by an estimated 3.2%, although the renewed measures imposed to contain the high infection rates dealt a blow.

The momentum for further economic development will come primarily from private consumer spending supported by catch-up effects, the positive employment trend and the declining savings rate. This means that the sectors that were affected by official restrictions in 2021 – especially the retail sector and the hotel and food service industries – will experience strong growth, as will other consumer-related services. Once the supply problems have been resolved, investment activity will recover; supported by the ongoing favorable financing conditions, this will provide an impetus for the Austrian economy, especially in 2023. After two years of negative growth contributions, Bank Austria expects foreign trade to make a positive contribution again starting in 2022, particularly through the export of services once the tourism sector has revived.

The economic recovery triggered a rapid improvement in the labor market, with the unemployment rate falling by 1.8 percentage points to an average of 8.1% in 2021. Unemployment in construction, industry and non-market services is already even lower than it was before the outbreak of the pandemic. The WIFO expects the unemployment rate to drop further to 7.2% in 2022.

Inflation picked up considerable speed in 2021 driven by energy prices and global supply bottlenecks, with HICP inflation expected to come in at 2.7%. According to the forecast released by the Austrian central bank (OeNB), the transfer of higher wholesale gas and electricity prices to end consumers, the introduction of the CO_2 tax beginning July 1, and price increases for raw materials other than energy will lead to an additional increase in inflation to 3.2% in 2022.

In addition to international economic risks such as new waves of infection, prolonged disruption to global supply chains, higher inflation expectations or a blow to China's economic activity due to a property crisis, domestic risks are also largely related to the pandemic.

The 2021 real estate year in Austria was characterized by intense investment pressure and high demand for apartments, single-family homes and land. As a result, the trend towards a significant increase in property prices continued. The values of the current OeNB residential real estate price index on the basis of new and used condominiums and single-family residences show an increase in Austria in the third quarter of 2021 of 10.4% compared to the previous year. Compared to the first quarter of 2021, however, the price momentum weakened somewhat in the second and third quarters. In Vienna, prices increased by 10.2% compared to the prior-year quarter. In the rest of Austria, price developments came to 10.6% during the same period. The deviation of the trend for residential real estate prices from the development of the factors included in the OeNB's fundamental price indicator has accelerated further, suggesting that the residential real estate market is increasingly overheating. According to the consumer price index published by the Austrian statistical office, Statistik Austria, apartment rents in Austria rose by 2.0% year-on-year in 2021, albeit with a dip as the year progressed after increases at the start of the year.

Experts from the real estate service provider RE/MAX expect to see a fundamentally positive real estate year across the country in 2022. The demand for housing is likely to grow at a faster rate than the supply. Ultimately, both the purchase prices for residential properties and new rents agreed for apartments that are not subject to rent restrictions are likely to increase, the former considerably so and the latter at a rate that is slower than the rate of inflation. According to the real estate service provider EHL, a number of new trends are emerging on the residential property market for 2022. The rental sector, for example, is seeing a return to greater demand for apartments with three or four rooms, not least because the coronavirus crisis, with the trend towards working from home and homeschooling, is pushing tenants to look for at least one extra room. Particular emphasis is, however, being placed on efficient layouts in order to achieve this in the smallest possible space. With rising demand and scarce supply, prices for townhouses and apartment complexes in Austria are also likely to rise in 2022, according to RE/MAX.

Austria's population is growing and the positive trend is expected to continue. The latest population forecast produced by Statistik Austria, suggests that by 2040, the Austrian population will have risen by an estimated 6%, from 8.9 million (2020) to around 9.5 million. The expected population growth is due exclusively to high positive net migration. Bank Austria reports that residential construction activity in Austria has largely addressed the marked increase in the demand for homes in recent years. After a new construction record was set back in 2019 with 78,000 apartments completed, construction activity cooled down somewhat in 2020 (around 73,000 apartments) and is expected to have matched the prior-year level or increased slightly in 2021. Although the OeNB estimates that there was cumulative excess supply of just under 40,000 residential units in 2021, there is still a shortage of housing in some regions or market segments. According to Bank Austria, the gaps are likely to be found primarily in the sector comprising low-cost rental apartments in metropolitan areas. The construction industry is currently confronted with supply bottlenecks and marked increases in the prices of building materials, accompanied by a significant increase in construction prices and construction costs.

According to EHL, residential properties worth € 4.55 billion were traded on the Austrian transaction market in 2021, representing a year-on-year increase of 30%. In terms of transaction volume, residential properties were the preferred asset class with a share of approx. 35%. The experts from EHL expect to see a very active start to the first quarter of 2022.

Group's Business Development

Business Development in 2021 – An Overview

The 2021 fiscal year was a successful year for Vonovia despite the ongoing coronavirus pandemic. We were able to expand our market position further by acquiring a majority stake in Deutsche Wohnen. In addition, we continued to be a reliable partner for all of our stakeholders, especially our customers. As in 2020, our business processes again continued virtually unhindered in many areas despite the coronavirus crisis thanks to employees working from home. All in all, the coronavirus pandemic did not have any significant impact on Vonovia's operational and financial performance in 2021 either. We only experienced a low level of rent losses on the whole. Modernization and new construction measures, as well as sales activities, were only slightly affected by the coronavirus restrictions, and the impact was merely temporary. In the 2021 fiscal year, we once again observed stable demand for rental apartments and no negative impact on market values as a result of the coronavirus pandemic.

We invested around € 1.4 billion in total in our own portfolio (including Deutsche Wohnen) for new construction and modernization measures (2020: € 1.3 billion) and around € 0.8 billion for maintenance (2020: € 0.6 billion). We completed 1,373 apartments (2020: 1,442) as part of our new construction measures. We also completed 827 apartments that are intended for sale (2020: 646).

The table below provides an overview of the development of our most recently forecast performance indicators, excluding Deutsche Wohnen, and the target achievement level for these indicators in the 2021 fiscal year. The Group figures for 2021 are also shown including Deutsche Wohnen. When comparing the current Group figures against the previous year, it is important to bear in mind that the figures for 2021 include the Deutsche Wohnen Group, which was consolidated for the first time as of September 30, 2021 together with its earnings contributions for the fourth quarter of 2021.

	2020	Forecast for 2021 in the 2021 Q3 report**	2021**	2021
Total Segment Revenue	€ 4.4 billion	€ 4.9–5.1 billion	€ 4.9 billion	€ 5.2 billion
Adjusted EBITDA Total	€ 1,909.8 million	Around upper end of € 2,055–2,105 million	€ 2,098.5 million	€ 2,269.3 million
Group FFO	€ 1,348.2 million	€ 1,520–1,540 million	€ 1,534.5 million	€ 1,672.0 million
Group FFO per share*	€ 2.23	suspended	€ 1.98	€ 2.15
EPRA NTA per share*	€ 58.78	suspended		€ 66.73
Sustainability Performance Index (SPI)	–	~105%	109%	–

* Based on the shares carrying dividend rights on the reporting date, prior-year values TERP-adjusted (1.067).
** Excl. Deutsche Wohnen.

The **total segment revenue** came to around € 5.2 billion in 2021, up by 18.5% on the prior-year figure of around € 4.4 billion. This increase was due primarily to income from disposal of properties (development), the additional rental income from Deutsche Wohnen in the fourth quarter of 2021, and organic growth thanks to new construction and modernization in the Vonovia portfolio. In the fourth quarter of 2021, Deutsche Wohnen contributed a volume of around € 0.3 billion to Vonovia's total segment revenue.

The **Adjusted EBITDA Total** came to € 2,269.3 million in 2021, an increase of 18.8% against the 2020 figure of € 1,909.8 million. Deutsche Wohnen contributed to this increase in the amount of € 170.8 million. With the exception of the Value-add segment, all other segments reported growth in Adjusted EBITDA.

Group FFO rose by 24.0% in 2021 to € 1,672.0 million (2020: € 1,348.2 million). This corresponds to a Group FFO per share of € 2.15 (2020: € 2.23). The main factors contributing to the increase in Group FFO were the acquisition of Deutsche Wohnen with Adjusted EBITDA of € 170.8 million, the improved Adjusted EBITDA Rental and the improved Adjusted EBITDA Development. The Adjusted EBITDA Rental increased from € 1,554.2 million in 2020 to € 1,648.0 million in 2021. The Adjusted EBITDA Development increased from

€ 110.9 million in 2020 to € 187.7 million in 2021. The Group FFO interest expense came to € 397.7 million in 2021, up by 4.6% on the prior-year value of € 380.1 million. Current income taxes FFO came in at € 65.2 million in 2021, around 24.4% higher than in the previous year (€ 52.4 million). At € 160.0 million, consolidation effects (excluding the at-equity effect of Deutsche Wohnen from the third quarter of 2021) in 2021 were up by 23.9% on the prior-year value of € 129.1 million. This was largely driven by the increase in gross profit for "Development to hold" from € 62.8 million in 2020 to € 84.9 million in 2021.

The **EPRA NTA per share** came in at € 66.73 in 2021, up by 13.5% on the TERP-adjusted prior-year value of € 58.78 . This increase in the net asset value figure was due primarily to the net income from fair value adjustments of investment properties of € 7,393.8 million in 2021 (2020: € 3,719.8 million). The distribution of the cash dividend of € 486.0 million in 2021 had the opposite effect (2020: € 504.6 million).

The **Sustainability Performance Index** (Vonovia excluding Deutsche Wohnen) stood at 109% in 2021, higher than the most recent forecast of 105%. This was helped along in particular by the reduction of CO_2 intensity, the development of the average primary energy requirements of new construction, and the positive development of the customer satisfaction index.

Statement of the Management Board on the Economic Situation

The net assets, financial position and results of operations of the Group are extremely positive, particularly given the solid financing, the resulting balanced maturity profile and the financing flexibility gained through the rating-backed bond financings with a view to both organic and external growth. The ongoing improvements to the property management and development processes, the use of new digital software solutions, the expansion of the Value-add segment, the steady Recurring Sales and a successful development business promote ongoing improvement in profitability.

Results of Operations

Overview

The following key figures provide an overview of how Vonovia's results of operations and their drivers developed in 2021. For information on the limited comparative value of the prior-year figures, we refer to the statements in the chapter on → **overall business development** within the Group.

in € million	2020	2021	Change in %
Total Segment Revenue	4,370.0	5,179.9	18.5
Revenue in the Rental segment	2,285.9	2,361.6	3.3
Revenue in the Value-add segment	1,104.6	1,165.8	5.5
Revenue in the Recurring Sales segment	382.4	477.0	24.7
Revenue in the Development segment	597.1	867.8	45.3
Revenue in the Deutsche Wohnen	–	307.7	–
Adjusted EBITDA Total	1,909.8	2,269.3	18.8
Adjusted EBITDA Rental	1,554.2	1,648.0	6.0
Adjusted EBITDA Value-add	152.3	148.8	-2.3
Adjusted EBITDA Recurring Sales	92.4	114.0	23.4
Adjusted EBITDA Development	110.9	187.7	69.3
Adjusted EBITDA Deutsche Wohnen	–	170.8	–
Group FFO	1,348.2	1,672.0	24.0
Monthly in-place rent Vonovia in €/m²	7.16	7.33	2.4
Monthly in-place rent Vonovia without Deutsche Wohnen in €/m²	7.16	7.38	3.1
Monthly in-place rent Deutsche Wohnen in €/m²	–	7.20	–
Average area of own apartments in the reporting period (in thou. m²)	26,532	28,784	8.5
Average number of own units (number of units)	414,931	452,868	9.1
Vacancy rate Vonovia (in %)	2.4	2.2	-0.2 pp
Vacancy rate Vonovia without Deutsche Wohnen (in %)	2.4	2.4	–
Vacancy rate Deutsche Wohnen (in %)	–	1.7	–
Maintenance expenses and capitalized maintenance Rental segment (€/m²)	22.31	25.18	12.9
thereof expenses for maintenance (€/m²)	12.10	12.57	3.9
thereof capitalized maintenance (€/m²)	10.21	12.61	23.5
Number of units bought	1,711	155,145	>100
Number of units sold	3,677	6,870	86.8
thereof Recurring Sales	2,442	2,747	12.5
thereof Non-core Disposals	1,235	723	-41.5
thereof Deutsche Wohnen	–	3,400	–
Number of new apartments completed	2,088	2,200	5.4
thereof own apartments	1,442	1,373	-4.8
thereof apartments for sale	646	827	28.0
thereof Deutsche Wohnen	–	–	–
Number of employees (as of December 31)	10,622	15,871	49.4

As of the end of 2021, Vonovia managed a portfolio comprising 565,334 of its own residential units (2020: 415,688), 168,015 garages and parking spaces (2020: 139,429) and 9,289 commercial units (2020: 6,564).

Total Segment Revenue

in € million	2020	2021	Change in %
Rental income	2,288.5	2,571.9	12.4
Other income from property management unless included in the operating expenses in the Rental segment	50.2	141.7	>100
Income from disposals Recurring Sales	382.4	477.2	24.8
Internal revenue Value-add	1,053.0	1,107.2	5.1
Income from disposal of properties (Development)	297.7	519.6	74.5
Fair value Development to hold	298.2	362.3	21.5
Total Segment Revenue	**4,370.0**	**5,179.9**	**18.5**

In the 2021 fiscal year, **total segment revenue** rose by 18.5% from € 4,370.0 million to € 5,179.9 million. This increase was due primarily to income from disposal of properties (development), the additional rental income from Deutsche Wohnen in the fourth quarter of 2021, and organic growth thanks to new construction and modernization in the Vonovia portfolio. In the fourth quarter of 2021, Deutsche Wohnen contributed a total volume of € 307.7 million to the segment revenue.

The **Adjusted EBITDA Total** rose by € 359.5 million from € 1,909.8 million in the 2020 fiscal year to € 2,269.3 million in 2021. Deutsche Wohnen contributed a volume of € 170.8 million to this figure in the fourth quarter of 2021. The Adjusted EBITDA Rental increased by 6.0% from € 1,554.2 million in 2020 to € 1,648.0 million in 2021. The Adjusted EBITDA Value-add came to € 148.8 million in 2021, 2.3% lower than the prior-year figure of € 152.3 million. The Adjusted EBITDA Recurring Sales came in at € 114.0 million, up by 23.4% on the value of € 92.4 million seen in the previous year. At € 187.7 million, the Adjusted EBITDA Development was up considerably on the prior-year value of € 110.9 million in 2021, primarily due to the global exit of a "Development to sell" project.

Group FFO rose by 24.0% from € 1,348.2 million in 2020 to € 1,672.0 million in 2021. € 137.5 million was attributable to Deutsche Wohnen, including acquisition-related FFO interest of € 20.8 million and, on the other hand, the FFO at-equity effects contribution in the amount of € 25.6 million.

Group FFO

The following key figures provide an overview of the development in Group FFO and other value drivers in the reporting period. The comparison with the previous year is hindered primarily by Deutsche Wohnen, which was consolidated for the first time as of September 30, 2021.

Group FFO

in € million	2020	2021	Change in %
Revenue in the Rental segment	2,285.9	2,361.6	3.3
Expenses for maintenance	-321.1	-332.7	3.6
Operating expenses in the Rental segment	-410.6	-380.9	-7.2
Adjusted EBITDA Rental	**1,554.2**	**1,648.0**	**6.0**
Revenue in the Value-add segment	1,104.6	1,165.8	5.5
thereof external revenue	51.6	58.6	13.6
thereof internal revenue	1,053.0	1,107.2	5.1
Operating expenses in the Value-add segment	-952.3	-1,017.0	6.8
Adjusted EBITDA Value-add	**152.3**	**148.8**	**-2.3**
Revenue in the Recurring Sales segment	382.4	477.0	24.7
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	-343.7	25.4
Adjusted result Recurring Sales	**108.4**	**133.3**	**23.0**
Selling costs in the Recurring Sales segment	-16.0	-19.3	20.6
Adjusted EBITDA Recurring Sales	**92.4**	**114.0**	**23.4**
Revenue from disposal of "Development to sell" properties	297.7	503.7	69.2
Cost of Development to sell	-235.9	-367.2	55.7
Gross profit Development to sell	**61.8**	**136.5**	**>100**
Fair value Development to hold	298.2	362.3	21.5
Cost of Development to hold*	-235.4	-277.4	17.8
Gross profit Development to hold	**62.8**	**84.9**	**35.2**
Rental revenue Development	1.2	1.8	50.0
Operating expenses in the Development segment	-14.9	-35.5	>100
Adjusted EBITDA Development	**110.9**	**187.7**	**69.3**
Adjusted EBITDA Deutsche Wohnen	**-**	**170.8**	**-**
Adjusted EBITDA Total	**1,909.8**	**2,269.3**	**18.8**
FFO interest expense	-380.1	-397.7	4.6
Current income taxes FFO	-52.4	-65.2	24.4
Consolidation**	-129.1	-134.4	4.1
Group FFO	**1,348.2**	**1,672.0**	**24.0**

* Excluding capitalized interest on borrowed capital in 2021 of € 0.9 million (2020: € 0.8 million).
** Thereof intragroup profits in 2021: € (37.8) million (2020: € (33.5) million), gross profit development to hold in 2021: € (84.9) million (2020: € (62.8) million), IFRS 16 effects 2021: € (37.3) million (2020: € (32.8) million), FFO-at-equity effect Deutsche Wohnen 2021: € 25.6 million.

As of the end of 2021, our apartments were virtually fully occupied. The apartment vacancy rate of 2.2% was down slightly on the value of 2.4% seen at the end of 2020. **Rental segment revenue** increased by 3.3% from € 2,285.9 million in 2020 to € 2,361.6 million in 2021, mainly due to organic growth resulting from new construction and modernization.

Of the rental income in the Rental segment in the amount of € 2,361.6 million (2020: € 2,285.9 million), € 1,894.0 million is attributable to rental income in Germany (2020: € 1,845.4 million), € 357.0 million to rental income in Sweden (2020: € 332.5 million) and € 110.6 million to rental income in Austria (2020: € 108.0 million).

The increase in rent in the Rental segment due to market-related factors came to 1.6% (2020: 0.6%). This includes one-off effects of 0.6% due to the Act Governing the Rent Cap for Residential Premises in Berlin (the "rent freeze") becoming invalid. In addition, we were able to increase rent by 1.6% thanks to property value improvements made as part of our modernization program (2020: 1.9%). The corresponding like-for-like rent increase came to 3.2% in the reporting period (2020: 2.5%). If we include the increase in rent due to new construction measures and measures to add extra stories, then we arrive at an **organic increase in rent** totaling 3.8% (2020: 3.1%). The average monthly in-place rent in the Rental segment at the end of December 2021 came to € 7.38 per m² compared to € 7.16 per m² at the end of December 2020. At the end of 2021, the monthly in-place rent in the German portfolio (excl. Deutsche Wohnen) came to € 7.19 per m² (Dec. 31, 2020: € 6.95), with the figure for the Swedish portfolio coming to € 10.31 per m² (Dec. 31, 2020: € 10.31) and € 4.89 per m² for the Austrian portfolio (Dec. 31, 2020: € 4.79). The rental income from the portfolio in Sweden reflects inclusive rents, meaning that the amounts contain operating, heating and water supply costs. The rental income from the Austrian property portfolio additionally includes maintenance and improvement contributions (EVB).

Despite the coronavirus pandemic, we were able to continue with our modernization, new construction and maintenance strategy in the 2021 fiscal year. Isolated modernization and new construction measures were affected by slight construction delays due to the pandemic. All in all, the total volume of our maintenance, modernization and new construction activity came to € 2,185.6 million in 2021, 12.9% higher than the previous year's figure of € 1,935.9 million. Deutsche Wohnen contributed a volume of € 234.0 million to this figure in the fourth quarter of 2021. Maintenance measures in the Rental segment came to € 666.4 million in 2021, up by 12.6% on the prior-year value of € 592.0 million. At € 758.6 million, modernization measures were down by 16.5% on the prior-year value of € 908.4 million. The decline in the volume of modernization measures is largely due to significantly lower investing activities in Berlin as a result of the rent freeze and isolated restrictions related to the coronavirus pandemic. At € 526.6 million, new construction in 2021 was up by 20.9% on the prior-year value of € 435.5 million.

Maintenance, Modernization and New Construction

in € million	2020	2021	Change in %
Expenses for maintenance	321.1	332.7	3.6
Capitalized maintenance	270.9	333.7	23.2
Maintenance measures	592.0	666.4	12.6
Modernization measures	908.4	758.6	-16.5
New construction (to hold)	435.5	526.6	20.9
Modernization and new construction measures	1,343.9	1,285.2	-4.4
Cost of maintenance, modernization and new construction Deutsche Wohnen	–	234.0	–
Total cost of maintenance, modernization and new construction	**1,935.9**	**2,185.6**	**12.9**

In the 2021 fiscal year, operating expenses in the Rental segment were down by 7.2% on the prior-year value for 2020, from € 410.6 million to € 380.9 million. This was partially a result of fewer costs associated with the coronavirus pandemic. All in all, **Adjusted EBITDA Rental** rose by 6.0%, from € 1,554.2 million in 2020 to € 1,648.0 million in 2021.

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

We continued to expand our business activities relating to the provision of cable television to our tenants, residential environment, insurance and metering services, and energy supply services. We supplied a total of around 36,400 households with energy directly as of the end of 2021 (2020: around 23,100).

External revenue from our Value-add activities with our end customers was € 58.8 million in 2021, 13.6% above the prior-year figure of € 51.6 million. Group revenue came to € 1,107.2 million in 2021, an increase of 5.1% as against the prior-year figure of € 1,053.0 million. Overall, this resulted in a 5.5% increase in revenue from the Value-add segment from € 1,104.6 million in 2020 to € 1,165.8 million in 2021. In the 2021 fiscal year, operating expenses in the Value-add segment were up by 6.8% on the figures for 2020, from € 952.3 million to € 1,017.0 million. This was due, in particular, to the use of more third-party services and higher costs associated with the coronavirus pandemic. The **Adjusted EBITDA Value-add** came to € 148.8 million in 2021, 2.3% below the prior-year figure of € 152.3 million.

We continued to pursue our selective sales strategy successfully in the 2021 fiscal year in spite of the pandemic. In the Recurring Sales segment, we report all business activities relating to the sale of single residential units (Privatize).

In the **Recurring Sales segment,** the income from disposal of properties came to € 477.0 million in the 2021 fiscal year, up by 24.7% on the value of € 382.4 million in 2020; € 367.9 million of this amount is attributed to sales in Germany (2020: € 264.2 million) and € 109.1 million to sales in Austria (2020: € 118.2 million). We privatized 2,747 apartments in the 2021 fiscal year (2020: 2,442), thereof 2,280 in Germany (2020: 1,870) and 467 in Austria (2020: 572). Adjusted EBITDA Recurring Sales came in at € 114.0 million in the 2021 fiscal year, up by 23.4% on the value of € 92.4 million seen in 2020. The **fair value step-up** for Recurring Sales came in at 38.8% in 2021, down slightly on the comparative value of 39.6% for 2020.

Outside of the Recurring Sales segment, we made 723 **Non-core Disposals** of residential units as part of our portfolio adjustment measures in the 2021 fiscal year (2020: 1,235) with total proceeds of € 76.4 million (2020: € 203.9 million). At 50.3%, the fair value step-up for Non-core Disposals was significantly higher than for the same period in the previous year (40.1%). The individual sales of land contributed to this increase.

In the 2021 fiscal year, the **Development segment**, with its **Development to sell** and **Development to hold** areas, made positive contributions to earnings in Germany, Austria and Sweden, allowing it to contribute to Vonovia's successful growth. 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 45.3% from € 597.1 million in 2020 to € 867.8 million in 2021. This was driven in particular by higher income from disposal of "Development to sell" properties. At € 503.7 million in 2021, it was up considerably on the prior-year value of € 297.7 million.

In the **Development to sell** area, a total of 827 units were completed in the 2021 fiscal year (2020: 646 units), thereof 678 units in Germany (2020: 646 units), 149 units in Austria (2020: 0 units). In 2021, income from the disposal of "Development to sell" properties amounted to € 503.7 million (2020: € 297.7 million), with € 241.1 million attributable to project development in Germany (2020: € 201.0 million) and € 262.6 million to project development in Austria (2020: € 96.7 million). The resulting gross profit for Development to sell came to € 136.5 million (2020: € 61.8 million).

In the **Development to hold** area, a total of 1,373 units (2020: 1,442 units), thereof 1,073 in Germany (2020: 862 units), 126 units in Austria (2020: 383 units) and 174 units in Sweden (2020: 197 units). In the Development to hold area, a fair value of € 362.3 million was achieved in 2021 (2021: € 298.2 million). € 296.6 million of this figure is attributable to project development in Germany (2020: € 157.1 million), € 44.3 million to project development in Austria (2020: € 127.9 million) and € 21.4 million to project development in Sweden (2020: € 13.2 million). The gross profit for Development to hold came to € 84.9 million (2020: € 62.8 million).

Operating expenses Development in 2021 came in at € 35.5 million, up considerably on the prior-year value of € 14.9 million. The increase is due to positive one-off effects in 2020 and higher direct project expenses in 2021. The Adjusted EBITDA for the Development segment amounted to € 187.7 million in the 2021 fiscal year (2021: € 110.9 million).

In the **Deutsche Wohnen segment,** segment revenue in the fourth quarter of 2021 came to € 307.7 million, with € 207.1 million attributable to rental income, € 68.8 million attributable to income from the Care segment and € 16.2 million to income from disposal of properties. Deutsche Wohnen's adjusted EBITDA came to € 170.8 million in the fourth quarter of 2021.

The average monthly in-place rent in the Deutsche Wohnen portfolio came to € 7.20 m² at the end of December 2021. In the fourth quarter of 2021, 3,400 residential units were sold from the **Deutsche Wohnen** portfolio.

In the 2021 fiscal year, the primary key figure for the sustained earnings power of **Group FFO** increased by 24.0%, from € 1,348.2 million in 2020 to € 1,672.0 million. This was fueled primarily by the positive development in **Adjusted EBITDA Total**, which rose by 18.8 % in the reporting period from € 1,909.8 million in 2020 to € 2,269.3 million in 2021. Adjusted EBITDA in the Development segment rose from € 110.9 million in 2020 to € 187.7 million in 2021, primarily due to the global exit of a "Development to sell" project. Organic growth pushed the Adjusted EBITDA in the Rental segment up by 6.0%. Adjusted EBITDA in the Recurring Sales segment increased by 24.4%. In the fourth quarter of 2021, Deutsche Wohnen contributed a total of € 137.5 million to Group FFO.

In the 2021 fiscal year, the **non-recurring items** eliminated in the Adjusted EBITDA Total came to € 37.1 million, down 39.7% on the prior-year value of € 61.5 million. In fiscal year 2021, costs for transactions were offset by income resulting from the valuation of shares in Deutsche Wohnen amounting to € 87.5 million.

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

Non-recurring Items

in € million	2020	2021	Change in %
Transactions*	24.0	14.1	-41.3
Personnel matters	27.5	1.6	-94.2
Business model optimization	13.9	24.2	74.1
Research & development	–	3.6	–
Refinancing and equity measures	-3.9	-6.4	64.1
Total non-recurring items	**61.5**	**37.1**	**-39.7**

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

Reconciliations

The **financial result** changed from € -435.5 million in 2020 to € -554.9 million in 2021. This was driven primarily by transaction costs in the amount of € -119.2 million, mainly in connection with the takeover of Deutsche Wohnen in 2021.

FFO interest expense is derived from the financial result as follows:

Reconciliation of Financial Result/FFO Interest Expense

in € million	2020	2021	Change in %
Interest income	21.9	21.5	-1.8
Interest expense	-411.4	-411.6	0.0
Other financial result excluding income from investments	-46.0	-164.8	>100
Financial result*	**-435.5**	**-554.9**	**27.4**
Adjustments:			
Other financial result excluding income from investments	46.0	164.8	>100
Effects from the valuation of interest rate and currency derivatives	42.4	-20.4	–
Prepayment penalties and commitment interest	6.2	22.7	>100
Effects from the valuation of non-derivative financial instruments	-48.6	-43.3	-10.9
Interest accretion to provisions	6.2	9.8	58.1
Interest income from bond issue	-11.9	–	-100.0
Accrued interest/other effects	-6.0	30.9	–
Net cash interest	**-401.2**	**-390.4**	**-2.7**
Adjustment for IFRS 16 Leases	10.5	10.3	-1.9
Adjustment of income from investments in other real estate companies	2.4	15.7	>100
Adjustment of interest paid due to taxes	23.7	-1.8	–
Adjustment of accrued interest	-15.5	-31.5	>100
Interest expense FFO	**-380.1**	**-397.7**	**4.6**

* Excluding income from other investments.

The profit for the period in 2021 came to € 2,830.9 million compared with € 3,340.0 million in 2020. Goodwill impairments in the amount of € 3,384.1 million in 2021 were the main factor behind this. This was counteracted by the net income from fair value adjustments of investment properties of € 7,393.8 million in the 2021 fiscal year (2020: € 3,719.8 million).

Reconciliation of Profit for the Period/Group FFO

in € million	2020	2021	Change in %
Profit for the period	**3,340.0**	**2,830.9**	**-15.2**
Financial result*	435.5	554.9	27.4
Income taxes	1,674.4	2,651.5	58.4
Depreciation and amortization (incl. depreciation on financial assets)	92.3	3,498.2	>100
Net income from fair value adjustments of investment properties	-3,719.8	-7,393.8	98.8
Non-recurring items	61.5	37.1	-39.7
Total period adjustments from assets held for sale	-15.3	-6.0	-60.8
Financial income from investments in other real estate companies	-2.4	-15.7	>100
Other (mainly Non-core Disposals)	-52.7	-10.5	-80.1
Intragroup profits	33.5	37.8	12.8
Gross profit Development to hold	62.8	84.9	35.2
Adjusted EBITDA Total	**1,909.8**	**2,269.3**	**18.8**
Interest expense FFO**	-380.1	-397.7	4.6
Current income taxes FFO	-52.4	-65.2	24.4
Consolidation	-129.1	-134.4	4.1
Group FFO	**1,348.2**	**1,672.0**	**24.0**
Group FFO per share in €***	2.23	2.15	-3.6

* Excluding income from other investments.
** Includig financial income from investments in other real estate companies.
*** Based on the shares carrying dividend rights on the reporting date December 31, 2020: 565,887,299, December 31, 2021: 776,597,389, prior-year value TERP-adjusted (1.067), 2021 including Q4 result Deutsche Wohnen.

Assets

Consolidated Balance Sheet Structure

	Dec. 31, 2020		Dec. 31, 2021	
	in € million	in %	in € million	in %
Non-current assets	60,632.0	97.1	99,544.5	93.6
Current assets	1,785.4	2.9	6,775.8	6.4
Total assets	**62,417.4**	**100.0**	**106,320.3**	**100.0**
Equity	24,831.8	39.8	36,545.1	34.4
Non-current liabilities	34,669.8	55.5	60,713.2	57.1
Current liabilities	2,915.8	4.7	9,062.0	8.5
Total equity and liabilities	**62,417.4**	**100.0**	**106,320.3**	**100.0**

Deutsche Wohnen SE was included in Vonovia's consolidated financial statements for the first time as of September 30, 2021 together with its subsidiaries (Deutsche Wohnen Group). As a result, the Group's **total assets** increased considerably by € 43,902.9 million as against December 31, 2020, rising from € 62,417.4 million to € 106,320.3 million. The Deutsche Wohnen Group contributed € 33,388.1 million to this increase.

The main component of non-current assets is the investment properties item, which increased by € 36,028.3 million from € 58,071.8 million to € 94,100.1 million. € 28,181.7 million of this increase was attributable to the first-time inclusion of the Deutsche Wohnen Group and a total of € 7,393.8 million to the property valuation process. Within current assets, real estate inventories increased by € 100.8 million, from € 570.4 million to € 671.2 million. Cash and cash equivalents rose to € 1,432.8 million as against € 613.3 million as of December 31, 2020. There are also time deposits and short-term financial investments in highly liquid money market funds in the amount of € 499.6 million as of December 31, 2021 that are reported as financial assets.

The inclusion of the Deutsche Wohnen Group means that QUARTERBACK Immobilien AG as an associate as well as eleven non-listed financial investments of QUARTERBACK Immobilien AG that were classified as joint ventures were reported in non-current financial assets accounted for using the equity method. The inclusion of the loan to QUARTERBACK Immobilien AG also increased financial assets by a total of € 806.5 million.

The acquisition of the Deutsche Wohnen Group increased the Group's goodwill by € 4.7 billion. The impairment of goodwill of € 3,384.1 million had a counteracting effect. Goodwill and trademark rights comprise 2.7% of the total assets.

Compared with December 31, 2020, assets held for sale increased by € 2,554,5.9 million from € 164.9 million to € 2,719.4 million, mainly due to the sale of properties to municipal housing companies in Berlin.

As of December 31, 2021 the **gross asset value (GAV)** of Vonovia's property assets came to € 98,225.3 million, which corresponds to 92.4% of total assets compared with € 59,207.1 million, or 94.9%, at the end of 2020.

The € 11,713.3 million increase in **total equity** from € 24,831.8 million to € 36,545.1 million results in particular from the profit for the period in the amount of € 2,830.9 million and from the capital increase with subscription rights implemented on December 2, 2021 in the amount of € 8.1 billion. This was offset by the repayment of the hybrid capital of € 1,040.0 million and the cash dividend distribution to the shareholders of Vonovia SE in the amount of € 486.0 million. The acquisition of the Deutsche Wohnen Group increased non-controlling interests by € 2,421.9 million.

The **equity ratio** comes to 34.4%, compared with 39.8% at the end of 2020.

Liabilities increased by € 18.3 billion due to the inclusion of the Deutsche Wohnen Group. They increased further by € 32,189.6 million, from € 37,585.6 million to € 69,775.2 million, due partially to bond placements on June 16, 2021 in the amount of € 4.0 billion, and on August 26, 2021 in the amount of € 5.0 billion, as well as the issuance of a green bond in the amount of € 600 million. The amount of non-derivative financial liabilities rose by € 22,944.3 million, from € 24,084.7 million to € 47,029.0 million, with € 17,796.8 million attributable to the increase in non-current non-derivative financial liabilities.

Deferred tax liabilities increased by € 7,734.3 million, also due to the fair value measurement of investment properties. An increase of € 5,409.9 million is also attributable to the first-time consolidation of the Deutsche Wohnen Group.

Net Assets

Vonovia's net asset value figures are based on the best practice recommendations of the European Public Real Estate Association (EPRA). At the end of 2021, the EPRA NTA came to € 51,826.1 million, up by 46.0% on the value of € 35,488.6 million seen at the end of 2020. EPRA NTA per share increased from € 58.78 at the end of 2020 (TERP-adjusted) to € 66.73 at the end of 2021.

EPRA Net Tangible Assets (EPRA NTA)

in € million	Dec. 31, 2020	Dec. 31, 2021	Change in %
Total equity attributable to Vonovia shareholders	**23,143.9**	**33,287.1**	**43.8**
Deferred tax in relation to fair value gains of investment properties*	10,466.7	15,498.3	48.1
Fair value of financial instruments**	54.9	28.6	-47.9
Goodwill as per the IFRS balance sheet	-1,494.7	-2,766.5	85.1
Intangibles as per the IFRS balance sheet	-117.0	-238.8	>100
Real estate transfer tax*	3,434.8	6,017.4	75.2
EPRA NTA	**35,488.6**	**51,826.1**	**46.0**
EPRA NTA per share in €* **	**58.78**	**66.73**	**13.5**

* Proportion of hold portfolio.
** Adjusted for effects from cross currency swaps.
*** Based on the shares carrying dividend rights on the reporting date December 31, 2020: 565,887,299, December 31, 2021: 776,597,389, prior-year value TERP-adjusted (1.067).

Over a period of five years, Vonovia has continually created value and also increased GAV (gross asset value) every year.

in € million	EPRA NTA	GAV
2021	51,826.1	98,225.3
2020	35,488.6	59,207.1
2019	29,762.2	53,586.3
2018		44,226.9
2017		33,424.9

Fair Values

Major market developments and valuation parameters that have an impact on the fair values of Vonovia are assessed every quarter. In addition to the revaluations performed during the year, the entire portfolio was revalued at the end of 2021.

As in the previous year, Vonovia's portfolio has shown very positive development. The demand for housing continues to outstrip the supply. The extensive investments made in the energy-efficient modernization of our buildings and improvements to the fittings in our apartments also had a positive impact on rental growth. Since the return expectations of property buyers have dropped further, the increase in market values is ahead of rent developments (yield compression). The positive effects resulting from the high demand, modernization and yield compression have resulted in a considerable 14.3% increase in the value of our property portfolio compared with the previous year, after adjustments for acquisitions and sales and excluding currency effects. In addition to the internal valuation, Vonovia's real estate portfolio, excluding Deutsche Wohnen, was also valued by the independent property appraisers CBRE GmbH in Germany and Austria and Savills Sweden AB in Sweden. The market value resulting from the CBRE expert opinion deviates from the internal valuation result by 0.1%. The result from the external valuation was adopted for the Swedish portfolio.

Deutsche Wohnen's portfolio was valued by the independent property appraiser Jones Lang LaSalle SE parallel to the internal valuation. The market value resulting from this external report deviates from the internal valuation result by 0.6%.

Vonovia's project developments for subsequent management within its own portfolio are measured using the cost approach until the construction work is complete. Deutsche Wohnen's project developments were measured by Jones Lang LaSalle SE using the residual value method as of the cut-off date of September 30, 2021. These values were as part of what was still the provisional purchase price allocation reviewed and adopted and were updated to reflect the current reporting date. The values of Deutsche Wohnen's care facilities as of December 31, 2021 were determined externally by W&P Immobilienberatung GmbH and included in the balance sheet.

The Act on Rent Controls in the Housing Sector in Berlin passed by the Berlin House of Representatives was declared unconstitutional and, as a result, null and void by the German Federal Constitutional Court on April 15, 2021. The development then observed in Berlin in the period leading up to December 31, 2021 has been included in the year-end valuation for 2021.

Regular Determination of the Fair Values Creates a Transparent Valuation of the Company's Properties

Calculating and showing the fair values provides a control parameter inside the company and also helps to make the development of the value of our assets transparent to people outside the company.

The fair value of the portfolio of residential properties was determined, in accordance with IAS 40 and IFRS 13, on the basis of the International Valuation Standard Committee's definition of market value.

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 residential property are forecast and discounted to the date of valuation as the net present value. 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 and also sales revenues for an Austrian subportfolio into account. The expected rental income is derived for each location from the latest rent indices and rent tables (including Value AG, Immobilienverband Deutschland [IVD] and 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, Federal Statistical Office, Statistics Austria, etc.). The expected sales revenues are derived from historical sale prices as well as market data (e. g., the Austrian Economic Chamber [WKÖ], EHL). On the cost side, maintenance expenses and administrative costs are taken into account. Further cost items are, for example, ground rents, non-allocable ancillary costs, rent losses and, in Austria, selling costs. All cost items are inflated in the reporting period. Modernization measures carried out in the housing stocks are factored in by decreasing the current maintenance expenses and adjusting market rents. The commercial properties in the portfolio are mainly small commercial units for the supply of the local residential environment. Different cost approaches were used to those for residential properties, and the capitalized interest rates were adjusted to reflect the market specifics.

The recognition and valuation of investment properties are explained in detail in the Notes to the consolidated financial statements (Chapter [D28] Investment Properties).

The fair value of Vonovia's real estate portfolio comprising residential buildings, commercial properties, garages and parking spaces as well as project developments, existing areas with construction potential and land areas with inheritable building rights granted was € 97,845.3 million as of December 31, 2021 (2020: € 58,910 million). The determination of fair values led overall to net income from fair value adjustments of investment properties of € 7,393.8 million (2020: € 3,719.8 million).

Financial Position

Cash Flow

The Group cash flow is as follows:

Key Data from the Statement of Cash Flows

in € million	2020	2021
Cash flow from operating activities	1,430.5	1,823.9
Cash flow from investing activities	-1,729.9	-19,115.8
Cash flow from financing activities	402.6	18,125.0
Influence of changes in foreign exchange rates	9.4	-2.3
Change in cash and cash equivalents related to assets held for sale	–	-11.3
Net changes in cash and cash equivalents	**112.6**	**819.5**
Cash and cash equivalents at the beginning of the period	500.7	613.3
Cash and cash equivalents at the end of the period	**613.3**	**1,432.8**

The cash flow from **operating activities** improved from € 1,430.5 million in 2020 to € 1,823.9 million in 2021. This reflects the higher operating result, measured in the Adjusted EBITDA key figures. In addition, the development of working capital had a positive effect on operating cash flow.

The cash flow from **investing activities** shows a payout balance of € 19,115.8 million for 2021 compared with € 1,729.9 million in 2020. Payments for acquisition of investment properties came to € 1,957.1 million in 2021, as against € 1,723.7 million in the previous year. On the other hand, income from portfolio sales in the amount of € 1,084.8 million was collected (2020: € 587.4 million). Cash flow from investing activities in the current year is dominated by the acquisition of the Deutsche Wohnen Group. Payments for the acquisition of shares in consolidated companies in due consideration of liquid funds came to € 17,122.8 million (2020: € 330.3 million). Payments for the acquisition of other financial assets include an amount of € 499.6 million in connection with short-term investments in financial assets not classified as cash and cash equivalents, as well as the purchase of convertible bonds from Deutsche Wohnen in the amount of € 413.2 million.

The cash flow from **financing activities** includes cash inflows from the cash capital increase in the amount of € 8,080.5 million (2020: € 1,003.0 million). Payments to hybrid capital investors of € 1,040.0 million include the full repayment of the financing previously reported as equity. Payments for regular and unscheduled repayments were made in the amount of € 11,534.0 million (2020: € 3,721.5 million) and, on the other hand, proceeds from issuing financial liabilities in the amount of € 23,945.3 million (2020: € 4,188.6 million). Payouts for transaction and financing costs amounted to € 374.6 million (2020: € 60.1 million). Interest paid came to € 402.6 million in 2021 (2020: € 409.2 million), with cash paid to shareholders of Vonovia SE and non-controlling interests amounting to € 514.6 million (2020: € 520.8 million).

Net changes in **cash and cash equivalents** came to € 819.5 million.

Financing

According to the publication dated December 17, 2021 Vonovia's credit rating as awarded by the agency Standard & Poor's is unchanged at **BBB+** with an outlook for the long-term issuer credit rating that has now been lifted from stable to positive and A-2 for the short-term corporate credit rating. At the same time, the credit rating for the issued and unsecured bonds is BBB+.

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

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

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

As of the reporting date of December 31, 2021 Vonovia had placed a total bond volume of € 25.1 billion, € 24.9 billion of which relates to the EMTN program.

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

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

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

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

Morgan Stanley, Société Générale and Bank of America provided Vonovia SE with bridge financing of up to € 20,150.0 million originally on August 5, 2021 with a term of up to two years as part of the acquisition of Deutsche Wohnen. It was drawn down in the amount of € 11,450.0 million and still had a value of around € 3,490.0 million as of December 31, 2021. This bridge financing was syndicated with 11 further banks.

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

Vonovia SE placed bonds with a total volume of € 5,000.0 million on September 1, 2021. They have terms of 2, 4, 7, 11 and 30 years and an average annual interest rate of 0.49%.

A secured financing arrangement with bullet repayment worth around € 148.0 million was repaid in October 2021.

A bond in the amount of € 500.0 million issued in 2013 was also repaid in October 2021.

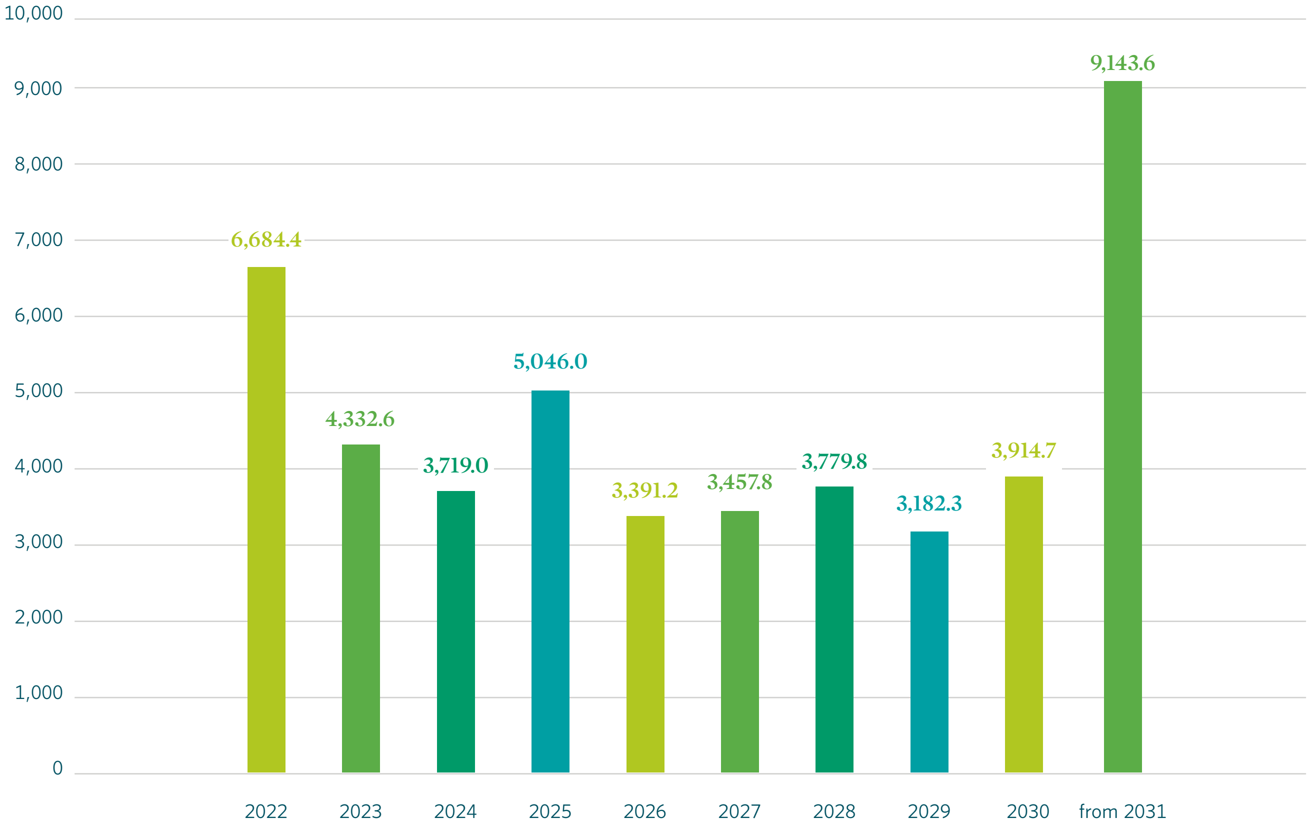
In December 2021, the perpetual hybrid bond raised in 2014 in the amount of € 1,000.0 million, which was reported as equity attributable to Vonovia's hybrid capital investors, was terminated and repaid on the first possible repayment date.

Liabilities amounting to around SEK 2,800.0 million (around € 260.0 million) were repaid as scheduled in the Swedish subgroup in the 2021 fiscal year.

The **debt maturity profile** of Vonovia's financing was as follows as of December 31, 2020:

Maturity Profile

as of December 31, 2021, in € million (Face values)



In connection with the issue of unsecured bonds by Vonovia Finance B.V., Vonovia has undertaken to comply with the following standard market covenants:

> Limitations on incurrence of financial indebtedness
> Maintenance of consolidated coverage ratio
> Maintenance of total unencumbered assets

The existing structured and secured financing arrangements also require adherence to certain standard market covenants. Any failure to meet the agreed financial covenants could have a negative effect on the liquidity status.

The LTV (loan to value) is as follows as of the reporting date:

in € million	Dec. 31, 2020	Dec. 31, 2021	Change in %
Non-derivative financial liabilities	24,084.7	47,229.5	96.1
Foreign exchange rate effects	-18.9	-36.1	91.0
Cash and cash equivalents	-613.3	-1,932.4	>100
Net debt	23,452.5	45,261.0	93.0
Sales receivables	-122.3	-69.9	-42.8
Adjusted net debt	23,330.2	45,191.1	93.7
Fair value of the real estate portfolio	58,910.7	97,845.3	66.1
Loans to companies holding immovable property and land	–	1,042.1	–
Shares in other real estate companies	324.8	876.0	>100
Adjusted fair value of the real estate portfolio	**59,235.5**	**99,763.4**	**68.4**
LTV	**39.4%**	**45.3%**	**5.9 pp**

Taking account of the Berlin package sold to various municipal residential real estate companies in the federal state of Berlin, the pro forma LTV comes to 44.0%. The financial covenants have been fulfilled as of the reporting date.

in € million	Dec. 31, 2020	Dec. 31, 2021	Change in %
Non-derivative financial liabilities	24,084.7	47,229.5	96.1
Total assets	**62,417.4**	**106,320.3**	**70.3**
LTV bond covenants	**38.6%**	**44.4%**	**5.8 pp**

Economic Development of Vonovia SE

(Reporting on the basis of the German Commercial Code [HGB])

Fundamental Information

Vonovia SE has been entered in the commercial register of Bochum Local Court under HRB 16879 since 2017. Vonovia SE was established as Deutsche Annington Immobilien GmbH on June 17, 1998, with its registered headquarters in Frankfurt am Main, to serve as an acquisition vehicle for the purchase of residential properties by financial investors. Following further successful acquisitions over the course of time, it now forms the Vonovia Group together with its subsidiaries and is one of the leading German, Austrian and Swedish residential real estate management companies. Following the successful integration of the BUWOG Group, Vonovia also ranks among the leading real estate developers in Germany and is the market leader in Austria.

Vonovia SE performs the function of the management holding company within the Vonovia Group. In this role, it is responsible for determining and pursuing the overall strategy and for implementing this strategy by setting the company's goals. It 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 SE also maintains service companies to which it has outsourced selected functions, allowing it to realize corresponding harmonization and standardization effects, as well as economies of scale.

The description of the company's net assets, financial position and results of operations is based largely on the reporting of the Vonovia Group. The net assets, financial position and results of operations of Vonovia SE as the management holding company are ultimately determined by the assets of the Group companies and their ability to make sustainable positive contributions to earnings and generate positive cash flows. The company's risk profile is therefore largely the same as the Group's.

The preceding reporting for the Group of Vonovia SE therefore also expresses the company's position.

The Vonovia SE annual financial statements have been prepared in accordance with the provisions of the German Commercial Code (HGB) taking into account the supplementary regulations of the German Stock Corporation Act (AktG). As a listed company, Vonovia SE is classed as a large corporation.

The annual and consolidated financial statements as well as the combined management report are published in the Federal Gazette (Bundesanzeiger).

Development of Business in 2021

Vonovia SE's 2021 fiscal year was also dominated by the coronavirus pandemic. The top priority for Vonovia SE, as the Group parent company, was to implement the coronavirus protection measures for the employees and customers of the Vonovia Group and to maintain its business operations.

The 2021 fiscal year was also dominated by the public takeover offer made to the shareholders of Deutsche Wohnen SE to acquire the majority of its shares as well as related equity and debt capital measures. As a result of the takeover procedure, as well as purchases on the stock market and based on bilateral agreements, Vonovia SE holds 87.6% of the shares in Deutsche Wohnen SE as of December 31, 2021. This means that Vonovia holds a majority stake in, and is the controlling entity of, Deutsche Wohnen SE in accordance with the German Stock Corporation Act (AktG); Deutsche Wohnen SE is a majority-owned dependent company of Vonovia SE.

Vonovia SE increased its total equity by means of a capital increase with subscription rights in the amount of € 8,080.5 million upon entry in the commercial register on December 2, 2021. Vonovia SE also increased its total equity by € 470.3 million by means of a scrip dividend.

In 2021, Vonovia issued bonds in the amount of € 9 billion to finance the public takeover offer.

Vonovia has a BBB+ rating awarded by the rating agency Standard & Poor's, an A3 rating awarded by Moody's and an A- rating awarded by the European rating agency Scope.

Vonovia held its Annual General Meeting as a virtual event on April 16, 2021 due to the pandemic. A virtual Annual General Meeting is once again planned for 2022.

Results of Operations of Vonovia SE

The company regularly generates **income** from the charging of the services it provides, from income from investments in the form of dividend distributions from Group companies and income from the transfer of profits. Profit-and-loss transfer agreements exist with, among other entities, the service companies, which themselves generate income by charging the real estate companies for the services they have provided.

The income from investments collected is based on the net profit of the subsidiaries that is eligible for distribution, which is, in turn, calculated **based on the accounting standards** set out in the German Commercial Code. The main difference between these standards and the IFRS accounting principles lies in the fact that, under IFRS accounting, the fair value principle has more of an impact than the cost principle does under HGB accounting.

In the consolidated financial statements under IFRS, the properties are remeasured at periodic intervals. Under HGB, the fixed assets are stated at amortized cost, taking depreciation into account. The capitalization regulations in particular also vary.

Expenses relate largely to personnel and administrative expenses associated with the management holding function, as well as to losses to be compensated for in connection with profit-and-loss transfer agreements.

The **financial result** is governed by the Group financing and was dominated in 2021 by the financing of the takeover offer to acquire the majority of the shares in Deutsche Wohnen SE.

Business development in 2021 and, consequently, the result for the year are influenced to a significant degree by special effects relating to the public takeover offer to acquire a majority stake in Deutsche Wohnen SE. These include, in particular, consultancy costs and fees in connection with the financing measures as well as the equity increase. By contrast, the previous year of 2020 saw virtually no significant non-recurring items with regard to operating expenses.

Revenue and other operating income fell by € 26.9 million in total. Revenues was down by € 15.2 million, mainly due to lower income from handling business for other companies, and other operating income also fell, primarily due to lower repayment waivers.

Purchased services, as a key component of the **cost of materials**, fell by € 7.0 million due to lower externally purchased services.

Personnel expenses came to € 31.3 million in 2021 as against € 38.4 million in 2020 due to lower allocations to the long-term incentive program.

The **other administrative expenses recognized** in **other operating expenses** come to around € 120 million in the 2021 fiscal year after adjustments to reflect the main special effects relating to the acquisition of the majority stake in Deutsche Wohnen SE, down slightly by around € 2.6 million in a year-on-year comparison.

The **special effects** in other operating expenses amount to around € 303 million. They mainly relate to expenses in connection with the financing measures as well as the capital increase.

Net financial expenses rose by € 51.2 million in total. Interest expenses of € 46.1 million due to the increase in debt financing made a considerable contribution to this trend. Net interest expenses vis-à-vis affiliated companies increased by € 5.0 million in total. This means that the increase in net financial expenses is due to volume-related and structural factors.

At € 172.9 million, **income from investments** in the 2021 fiscal year is € 48.6 million lower than in the 2020 fiscal year, when it came to € 221.4 million. Income from investments include € 9.9 million in Deutsche Wohnen SE dividends.

All in all, the net contribution to earnings made by profit and loss transfers fell by € 60.1 million. While the losses assumed fell considerably, by € 43.3 million to € 5.3 million, profit transfers also fell, by € 103.5 million. The prior-year figures were influenced by internal company law measures and special effects.

Tax expense in 2021 amounts to € 61.8 million as against € 12.5 million in the previous year, with € 4.6 million of the taxes reported for the fiscal year relating to previous years and € 57.27 million relating to deferred taxes. As the controlling company in a VAT group, Vonovia SE owes the corresponding income taxes.

Vonovia SE closed the 2021 fiscal year with a **net loss** of € 544,825,598.94 (2020: € 53,522,768.55).

After offsetting this loss for the year against the profit carried forward from the previous year of € 43,650,464.69, the Management Board withdrew a further € 1,826,175,134.25 from capital reserves, resulting in a **net profit** for the 2021 fiscal year of € 1,325,000,000.00.

The Management Board and the Supervisory Board propose to the Annual General Meeting that, of the profit of Vonovia SE as of December 31, 2021 of € 1,325,000,000.00, an amount of € 1,289,151,665.74 on the 776,597,389 shares of the share capital as of December 31, 2021 (corresponding to € 1.66 **per share**) be paid as a dividend to the shareholders, and that the remaining amount of € 35,848,334.26 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, 2021.

As in the 2018, 2019 and 2020 fiscal years, the dividend for the 2021 fiscal year, payable after the Annual General Meeting in April 2022, 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."

Income Statement

in € million	2020	2021
Revenues	181.3	166.2
Other operating income	51.6	39.8
Cost of purchased services	-80.2	-73.2
Personnel expenses	-38.4	-31.3
Other administrative expenses	-169.7	-497.7
Loss (profit) before financial result and tax	**-55.4**	**-396.2**
Income from profit transfer	256.5	153.1
Income from investments	13.5	25.1
Income from other non-current securities and non-current loans	–	18.9
Interest and similar income	22.1	16.1
Expense from the assumption of losses	-48.6	-5.3
Interest and similar expense	-229.1	-294.7
Financial result	**14.4**	**-86.8**
Tax	-12.5	-61.8
Net loss	**-53.5**	**-544.8**

Net Assets and Financial Position of Vonovia SE

The company's **asset position** is characterized by the acquisition of a majority stake in Deutsche Wohnen SE, on the one hand due to the increase in shares in affiliated companies and on the other due to the increase in equity and debt capital.

The company's **non-current assets** in the amount of € 39,965.4 million (previous year: € 20,626.5 million) are largely characterized by non-current financial assets in the amount of € 39,936.8 million (previous year: € 20,596.1 million). The **increase in non-current financial assets** in the 2021 fiscal year is due primarily to the increase in shares in affiliated companies of € 18,339.8 million due to the acquisition of shares in Deutsche Wohnen SE and the reclassification of Group financing in the amount of € 989.4 million, particularly in the real estate development segment, due to the long-term provision of financial resources.

The company's intangible assets and tangible fixed assets fell overall due to depreciation and amortization in the normal course of business.

Net current assets (current assets less liabilities, prepaid expenses and deferred income) including cash and cash equivalents are governed by the Group financing structure, in which Vonovia SE assumes the function of the cash pool leader. Net current assets improved by € 1,177.1 million in favor of Vonovia SE in the 2021 fiscal year, with € 799.2 million of this improvement resulting from short-term investments of excess liquidity relating to the financing measures connected to the takeover offer.

The **Group's net lending/borrowing position**, which comprises receivables from and liabilities to affiliated companies as well as company loans resulting from the Group financing activity, developed by a total of € 1,498.5 million in Vonovia SE's favor in 2021.

The issue of bonds in the amount of € 9,600.0 million and the funds borrowed from banks increased Vonovia SE's **debt financing** to € 14,641.1 million as of December 31, 2021 (previous year: € 1,257.7 million).

Provisions came to € 193.3 million at the end of the year (previous year: € 167.4 million), with € 84.8 million attributable to provisions for pensions (previous year: € 74.2 million) and € 35.5 million attributable to provisions for income taxes (previous year: € 32.9 million). Other provisions rose by a total of € 12.6 million as against December 31, 2020. The increase is due, on the one hand, to the allocation of a risk provision in connection with the recoverability guarantees vis-à-vis Vonovia Finance B.V., while on the other, the provision for the long-term incentive program was reduced.

Total equity increased again in the 2021 fiscal year to € 17,775.2 million due to the offer of the scrip dividend and the capital increase with subscription rights totaling € 8.1 billion. The cash dividend distribution in 2021 and the net loss for the year had the opposite effect of reducing total equity.

Assets

in € million	Dec. 31, 2020	Dec. 31, 2021	in € million	Dec. 31, 2020	Dec. 31, 2021
Assets			Equity and liabilities		
Financial assets	20,596.1	39,936.8	Equity	10,725.6	17,775.2
Other assets	30.4	28.6	Provisions	167.4	193.3
Receivables from affiliated companies	4,934.2	4,469.6	Loans	–	9,600.0
Other receivables and assets	26.2	67.1	Liabilities to banks	1,257.7	5,041.1
Securities	–	549.2	Liabilities to affiliated companies	13,616.2	12,642.4
Cash and cash equivalents	190.8	356.6	Other liabilities	10.8	155.9
Total assets	**25,777.7**	**45,407.9**	**Total equity and liabilities**	**25,777.7**	**45,407.9**

Cash flow from operating activities is characterized by the income and expenses relating to the performance of the management holding functions. Vonovia SE only has appreciable cash flows from investing activities when acquisitions are made. Cash flows from financing activities regularly result from changes in Group financing and from the borrowing/repayment of debt financing following the assumption of the primary Group financing function from Vonovia Finance B.V.

Employees of Vonovia SE

At the end of the 2021 fiscal year, an average of 160 people were employed at the company (2020: 161), 126 of whom were full-time employees and 34 of whom were part-time.

Opportunities and Risks for Vonovia SE

The likely development of Vonovia SE in the 2022 fiscal year depends to a considerable extent on the development of the Group as a whole and its opportunity and risk situation. This situation is set out in the Group's opportunity and risk report, meaning that the statements set out there in regard to the opportunity and risk situation of the Group also apply to the annual financial statements of Vonovia SE prepared in accordance with German commercial law, where the risks can have an impact on the valuation of long-term financial assets and on the amount of the results of subsidiaries collected/compensated for.

Forecast for Vonovia SE

Since the company's net assets, financial position and results of operations are determined solely by the ability of the Group companies to make positive earnings contributions and generate positive cash flows in the long term, we refer at this point to the Forecast Report for the Group. The most important financial performance indicator for the annual financial statements of Vonovia SE is the annual result.

The company's result for 2021 is characterized primarily by the special effects from the acquisition and its financing, which played much less of a role in 2020. Without taking these special effects into account, the net loss for 2021 runs into the mid-double-digit millions, on par with the level seen in previous years, in line with the forecast.

The results for the 2022 fiscal year will in turn be characterized by the results of subsidiaries collected/compensated for on the basis of income from investments and profit-and-loss transfer agreements, income from services, personnel and administrative expenses and the financial result.

All in all, we expect the company's result for the 2022 fiscal year to again be on a par with the figure seen in the previous years without special effects.

Vonovia plans to distribute a dividend of € 1.66 per share to the shareholders for the 2021 fiscal year. In principle, this is consistently aligned with the company's established policy of distributing around 70% of its Group FFO, albeit taking into account the contribution made by the Deutsche Wohnen Group for the 2021 fiscal year.

Statement of the Management Board on the Economic Situation

The net assets, financial position and results of operations of the company are extremely positive, particularly given the solid financing, the resulting balanced maturity profile and the financing flexibility gained through the rating-backed bond financing with a view to both organic and external growth. The ongoing improvements to the property management processes, the expansion of the Value-add segment, Recurring Sales and a successful development business promote ongoing improvement in profitability. Developments in Germany are complemented by equally positive developments in Sweden and Austria.

Further Statutory Disclosures

Corporate Governance

In the corporate governance declaration, we report on the principles of management and corporate governance in accordance with Principle 22 of the German Corporate Governance Code and Section 289f of the German Commercial Code (HGB). The declaration contains the Declaration of Conformity, information on corporate governance practices, a description of how the Management Board and Supervisory Board work and key corporate governance structures. The corporate governance declaration has been published at **www.vonovia.de/en** under Investor Relations and does not form part of the management report.

Corporate governance is the responsible management and supervision of a company.

With balanced corporate governance, the Management Board and the Supervisory Board wish to safeguard Vonovia SE's competitiveness, strengthen the trust of the capital market and the general public in the company and sustainably increase the company's value.

As a major real estate company, we are aware of the particular significance of our entrepreneurial actions for society at large. As a result, we are also committed to the main aims and principles of the Institute for Corporate Governance of the German housing industry. It supplements the corporate governance principles to include housing-specific aspects and is committed to even greater transparency, an improved image and a more competitive real estate sector.

Opportunities and Risks

Risk Management Structure and Instruments

The market environment and the overall statutory/regulatory conditions to which Vonovia is subject are constantly changing. Vonovia is also developing on an ongoing basis with the implementation of the strategy and the associated business activities. This means that new opportunities and risks arise on a regular basis, and that the extent of existing opportunities and risks can change at any time.

As a result, Vonovia has implemented a comprehensive risk management system that ensures that all of the risks that are relevant to the company can be identified, evaluated and managed. This reduces risk potential, secures the company's survival, supports its strategic further development and promotes responsible entrepreneurial action.

Risks are defined as possible events or developments that could have a negative impact on the company's expected economic development and, as a result, could lead to a negative deviation from the short-term plans (budget and forecasts) and the company's medium-term plans (five-year plan).

Opportunities are possible events or developments that could have a positive impact on the company's expected economic development.

The risk management system was enhanced in the 2021 fiscal year, with a simulation model being added to calculate the company's risk-bearing capacity. An audit of our risk management system (RMS) was also conducted in accordance with the audit standard "Principles for the Proper Performance of Reasonable Assurance Engagements Relating to Risk Management Systems" (IDW AsS 981) of the Institute of Public Auditors in Germany for the effectiveness period from July 1 to December 31, 2021. The audit was completed successfully in January 2022 and looked at the appropriateness, implementation and effectiveness of Vonovia SE's risk management system.

5 Pillars of Risk Management at Vonovia

Management Board
(Strategy, Requirements/Goals, Control Environment, Monitoring)

1 Performance Management	2 Compliance Management	3 Risk Management System	4 Internal Control System	5 Internal Audit
Controlling > Budget > Forecast > Results	**Compliance Officer** > Guidelines, regulations > Contracts > Capital market compliance > Data protection	**Controlling** > Risk management process > Risk reporting	**IT** > Process documentation **Accounting** > Accounting-based internal control system	**Internal Audit** > Process-oriented audits > Risk-oriented audits
Operational Areas > Performance management > Technical integrity	**Operational Areas** > Ensuring compliance	**Operational Areas** > Risk identification and evaluation > Risk control	**Operational Areas** > Documentation of core processes > Control activities > Control self assessment	**Operational Areas** > Process improvements

Vonovia's risk management system is based on an integrated five-pillar risk management approach.

(1) Performance Management

Differentiated and detailed corporate planning and appropriate reporting on deviations between the actual and target operational and financial key figures from Controlling constitute the backbone of the early warning system used at the company. Analyses are made of the business performance compared with the plans approved by the Supervisory Board and the previous year. Furthermore, a forecast is prepared regularly which takes appropriate account of the effect of any potential risks and opportunities on the development of business. Reporting includes detailed monthly controlling reports to the Management Board and the Supervisory Board. The operational business is described in regular reports on key figures, some of which are drawn up on a weekly or daily basis. On the basis of these reports and the deviations that they highlight between the actual and target figures, countermeasures are initiated and implemented and then checked in subsequent reporting periods to ensure they are effective.

(2) Compliance Management

Compliance means that the company, its bodies and employees act in line with the applicable rules and regulations. For the Management Board, compliance with statutory law and the observance of internal guidelines are the basis of corporate management and culture. Compliance is to ensure the integrity of employees, customers and business partners and avoid possible negative consequences for the company.

The management and monitoring of Vonovia is based on the relevant statutory requirements, the Articles of Association and the rules of procedure for the Supervisory Board and the Management Board. They form the basis for the company's internal rules and guidelines, adherence to which is monitored by a central compliance management system and administered by a guideline management team that forms part of the Legal department.

The guidelines describe clear organizational and monitoring structures with specified responsibilities and appropriately installed checks. The legally compliant behavior of all employees in the business processes is ensured by suitable control procedures and supervision by managers. The company has also put in place a compliance management system based on IDW (Institute of Public Auditors in Germany) standard PS 980 and has appointed a central compliance officer, whose remit focuses on identifying compliance risks, taking suitable measures to avoid and detect these risks and taking appropriate action in response to compliance risks (compliance program).

In terms of specific content, the main features of the compliance management system are Vonovia's Code of Conduct, which focuses on ethical values and statutory requirements and reinforces the personal responsibility of employees, Vonovia's Compliance Guidelines and a Business Partner Code setting out requirements that the company's contractual partners have to meet. An external ombudsman is available to all employees and business partners as a confidant with respect to compliance matters.

(3) Risk Management System

Vonovia's strategy has a sustainable and long-term focus. As a result, Vonovia pursues a conservative risk strategy in its business activities. This does not mean minimizing risks, but rather promoting entrepreneurial and responsible action and ensuring the necessary transparency with regard to any possible risks.

In the 2021 fiscal year, Vonovia developed its existing risk management system further to feature a simulation model to calculate its risk-bearing capacity. Taking into account the new version of IDW standard AsS 340, a risk aggregation model was created based on Vonovia's five-year plan and the Group's risk-bearing capacity was investigated. Profit for the period and the Group FFO were defined as the values at risk. Several workshops with risk owners were used to quantify the risks to be modeled and analyze the interaction between individual top risks and selected green risks in detail. The outcome of the risk-bearing capacity analysis revealed that there is currently no current threat to Vonovia's survival over the five-year period. The analysis took a particular look at the parameters of non-compliance with rating criteria ("downgrade"), non-compliance with bond covenants ("covenant breach") and the possibility of the company becoming overindebted.

The risk management system supports all employees in their day-to-day work in accordance with Vonovia's mission statement. It ensures the early identification, assessment, management and monitoring of all risks within the Group that exceed the short-term financial risks dealt with by the Performance Management pillar and could pose a risk not only to the company's results of operations and net assets, but also to intangible assets. This means that potential risks which might impair the value and/or development of the company can be identified at an early stage. Early warning indicators that are specific to the environment and the company are taken into account, as are the observations and regional knowledge of our employees.

The operational management of the risk management system falls within the remit of the Head of Controlling, who is responsible for Risk Controlling. He reports to the Chief Financial Officer (CFO). Risk Controlling initiates the software-supported, periodic risk management process and consolidates and validates the risks reported. It is also responsible for validating the risk management measures and monitoring their implementation. Risk Controlling works with the individual risk owners to define early warning indicators that are used to monitor actual developments with regard to certain risks.

The risk owners are the managers at the level directly below the Management Board. They are responsible for identifying, evaluating, managing, monitoring, documenting and communicating all risks in their sphere of responsibility. They are also responsible for recording and reporting all risks in the company's risk tool based on the defined reporting cycles (generally on a half-yearly or ad hoc basis, insofar as is necessary).

Based on a half-yearly risk inventory taken in the first and third quarters of a fiscal year Risk Controlling prepares a risk report for the Management Board and the Supervisory Board. It also simulates major risk developments and their impact on the corporate plans and objectives. This reporting system ensures that both managers and supervisory bodies are comprehensively informed. In this way, misguided developments can be recognized in good time and counter-action taken at an early stage. Should significant risks occur unexpectedly, they are reported directly to the Management Board and the Supervisory Board on an ad hoc basis.

The risk management system is updated and refined on a regular basis and is also adjusted to reflect changes at the company. The effectiveness of the risk management system is analyzed in regular audits.

In organizational terms, risk management is assigned directly to the Management Board. The Management Board has overall responsibility in this regard. It decides on the organizational structures and workflows of risk management and provision of resources. It approves the documented risk management findings and takes account of them in steering the company. The Audit Committee of the Supervisory Board monitors the effectiveness of the risk management system.

The risk management system looks at all activities in the risk management process, i.e.,

> Risk identification
> Risk assessment
> Risk aggregation
> Risk control
> Risk monitoring.

Based on the COSO Framework, a risk space with the following four main **risk categories** has been defined to facilitate **risk identification**: strategy, regulatory environment & overall statutory framework, operating business and financing (including accounting and tax). A structured risk catalog has been assigned to each of these categories.

When it comes to **assessing risk**, a distinction is made between risks with an impact on profit and loss and those affecting the balance sheet. Risks with an impact on profit and loss have a negative effect on the company's sustained earnings power and, as a result, on Group FFO. In general, these risks also have an impact on liquidity. Risks affecting the balance sheet do not impact Group FFO. In particular, these risks can be such that they do not affect liquidity, e.g., because they only impact property values.

If possible, risk assessments are always to be performed in quantitative terms. If this was difficult to achieve or not possible, a qualitative assessment was performed using a detailed matrix comprising five loss categories. The expected amount of loss is classified to one of five categories:

Category	Class	Description	Impact on profit and loss*	Impact on statement of financial position*
Very high	5	Threatens the company's existence	Possible loss of > € 500 million in Group FFO	Possible balance sheet loss of > € 8,000 million
High	4	Dangerous impact on business development, previous business situation cannot be restored in the medium term	Possible loss of € 250 million to € 500 million in Group FFO	Possible balance sheet loss of € 4,000 million to € 8,000 million
Consid erable	3	Temporarily impairs business development	Possible loss of € 100 million to € 250 million in Group FFO	Possible balance sheet loss of € 1,600 million to € 4,000 million
Noticeable	2	Low impact, possibly leaving a mark on business development in one or more years	Possible loss of € 25 million to € 100 million in Group FFO	Possible balance sheet loss of € 400 million to € 1,600 million
Low	1	Minor impact on business development	Possible loss of € 5 million to € 25 million in Group FFO	Possible balance sheet loss of € 80 million to € 400 million

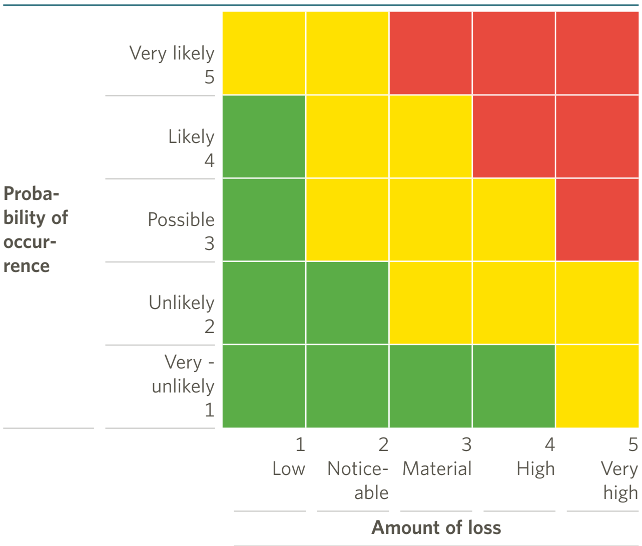
* Understood as the possible financial loss over five years in accordance with the medium-term planning horizon.

five clusters have been defined for the expected probability of occurrence.

Category	Class	Definition	Probability
Very likely	5	It is to be assumed that the risk will materialize during the observation period.	>95%
Likely	4	The risk is likely to materialize during the observation period.	60–95%
Possible	3	The risk could materialize during the observation period.	40–59%
Unlikely	2	The risk is unlikely to materialize during the observation period.	5–39%
Very unlikely	1	It is to be assumed that the risk will not materialize during the observation period.	<5%

The expected amount of loss and the probability of occurrence are classified within the set ranges before action (gross) and after action (net) for each risk, documented in a risk tool and transferred to a heatmap there. Risk reporting is based on the net assessment and the assignment of risks in the net heatmap, comprising five categories for both probability of occurrence and the amount of loss.

Net Heatmap



The term "top risks" refers to the risks assigned to the red and amber fields. These are reported to the Supervisory Board and published as part of the external reporting process. The risks assigned to the red fields are classified as threatening or endangering the company or its survival. The risks assigned to the amber fields are significant to the company. Red and amber risks are subject to intensive monitoring by the Management Board and the Supervisory Board. The risks assigned to the green fields are less significant to the company.

As part of **risk management**, we focus on material risks, combined with active risk management. If possible and necessary, specific risk management measures are agreed and incorporated into a regular monitoring process to be conducted by Risk Controlling.

Regular **risk monitoring** by Risk Controlling ensures that risk management measures are implemented as planned.

(4) Internal Control System

The Internal Control System (ICS) comprises the basic principles, procedures and regulations aimed at supporting the effectiveness and cost-effectiveness of our business activities, ensuring due and proper and reliable internal and external accounting and ensuring compliance with the legal provisions that apply to the company.

All key processes at Vonovia are recorded and documented centrally with the help of a process management software solution. In addition to the relevant process steps, this documentation highlights key risks and controls in the interests of a process-oriented internal control system (ICS). It provides the binding basis for subsequent evaluations, audits and reporting to the executive bodies of Vonovia SE on the effectiveness of the ICS within the meaning of Section 107 (3) sentence 2 of the German Stock Corporation Act (AktG).

Overall responsibility for structuring and implementing the ICS lies with Vonovia's Management Board. The Management Board delegates this responsibility to process and control owners. The Internal Audit department provides support in the further technical development of the ICS in addition to performing its primary audit duties in full. Internal Audit is responsible for providing technical support for the documentation software, with administrative support being provided by IT.

The aim of the accounting-related internal control and risk management system is to ensure due and proper and legally compliant financial reporting pursuant to the relevant regulations. The accounting-related internal control and risk management system is embedded in the overarching Group-wide risk management system.

Organizationally, responsibility for preparing the financial statements lies with the Chief Financial Officer's (CFO) department and, in particular, with the Accounting department. The Accounting department accordingly exercises the authority to lay down guidelines for the application of relevant accounting standards as well as for the content and timing of the steps in the financial statements preparation process.

From the organizational and systems side, the preparation of the financial statements for all companies included in the consolidated financial statements as well as the preparation of the consolidated financial statements themselves are performed in the central shared service centers, which ensures consistent and continual application of accounting principles in a uniform financial statement preparation process. Furthermore, through the shared service center functions it is ensured that both content and organizational changes in the requirements are incorporated in the financial statement preparation process.

The financial statements of the companies included in the consolidated financial statements – with the exception of the companies in Sweden and the investments in France and the Netherlands – are located in an IT SAP environment. They are subject largely to uniform charts of account, accounting guidelines, processes and process controls. The requirement of separation of functions and the dual-review principle are taken appropriate account of with preventive and also subsequent checks. The financial statements of the Deutsche Wohnen Group are managed in a separate IT environment. The subsidiaries of the Deutsche Wohnen Group as well as those in Sweden and the investments in France and the Netherlands report their data as part of a structured IT-based data recording process.

The relevant financial statement data of the individual companies are made available to the SAP consolidation module via an integrated, automated interface with comprehensive validation rules for further processing and preparation of the consolidated financial statements. An authorization concept is in place granting access to the financial statements in line with the respective job profile of the employee.

Newly acquired companies are incorporated into the internal control environment as part of a structured integration process, which includes integration in terms of both IT systems and processes relating to financial statements.

Once the financial statements have been drawn up, the annual and consolidated financial statements, including the consolidated management report, are submitted to the Audit Committee of the Supervisory Board. The Committee then makes a recommendation for the Supervisory Board to adopt or approve them. This examination may include discussion with the auditor and is subject to the auditor's report. The Audit Committee is continually involved in the establishment and refinement of the accounting-related internal control and risk management system.

(5) Internal Audit

The system and control environment, business processes and the internal control system (ICS) are audited on a regular basis by Vonovia's Group Audit department. The annual audit plan is based on a risk-oriented evaluation of all relevant audit areas of the Group (audit universe) and is approved by the Management Board and the Supervisory Board's Audit Committee.

The audits conducted throughout the year focus on assessing the effectiveness of the control and risk management systems, identifying process improvements in order to minimize risks and ensuring the sustainability of Vonovia's business activities. Corresponding special ad hoc audits are also performed in consultation with the Management Board. The internal reports are presented to the Management Board, the individuals responsible for the area reviewed and, in cases involving significant and serious findings, the risk manager and, where relevant, the compliance officer on a regular basis. The Audit Committee receives a quarterly summary of the audit results and measures. The implementation status of the agreed measures is monitored on an ongoing basis after the relevant due dates and is reported to the Management Board and the Audit Committee on a quarterly basis. A follow-up audit is conducted to ensure that any serious findings have been remedied.

Current Risk Assessment

A scheduled risk inventory was performed in both the first and second half of the 2021 fiscal year. The risk report was presented to the Management Board and the Audit Committee. There were no unscheduled ad hoc risk reports in the 2021 fiscal year.

The Deutsche Wohnen Group was consolidated for the first time as of September 30, 2021, meaning that the opportunities and risks associated with the Deutsche Wohnen Group have also passed to Vonovia.

Overall Assessment of the Risk Situation

A total of 108 (2020: 106) individual risks were identified for Vonovia, including Deutsche Wohnen, in the second half of 2021.

An initial review of the risks associated with the Deutsche Wohnen Group in the fourth quarter of 2021 confirmed that the risks arising from the operating business activities pursued by Deutsche Wohnen and Vonovia are fundamentally similar and that this does not give rise to any significant changes in the overall assessment of Vonovia's risk situation. Vonovia's valuation methodology was applied to the Deutsche Wohnen risks. Additional green risks arise, in particular, from the new Care segment (one green risk with an amount of loss of € 5–25 million and a probability of occurrence of 5–39%), from the investment in QUARTERBACK Immobilien AG, which is responsible for large parts of Deutsche Wohnen's project development business (one green risk with an amount of loss of € 25–100 million and a probability of occurrence of 5–39%) as well as from the operating business (two green risks, each with an amount of loss of € 5–25 million and a probability of occurrence of 60–95%). The resulting opportunities and risks will be examined in detail in 2022 as part of the integration process and will be applied to Vonovia's risk management system.

All in all, and based on the current assessment, there were no signs of any risks resulting from the acquisition of Deutsche Wohnen threatening or endangering Vonovia or its survival at the end of 2021. At the time this report was prepared, Vonovia's Management Board had not identified any risks associated with future business development that the company cannot suitably overcome, or which could jeopardize the position of Vonovia SE, a major company included in the scope of consolidation or the Group as a whole in terms of revenue, assets and/or finances.

In the interest of the company's key stakeholders – customers, employees, suppliers, investors and society – Vonovia pursues a conservative strategy that focuses on security and sustainability. In addition, both the business model and the diversified capital market instruments used by Vonovia ensure that we have the greatest possible degree of independence from economic fluctuations.

Six (2020: six) amber risks that are significant to the company and 102 (2020: 100) other green risks were identified. Specifically, the picture that emerges for each risk category is as follows (prior-year figures in brackets):

Risk	Strategy	Operating business	Regulatory environment	Financing	Total
					0 (0)
		1 (2)	2 (3)	3 (1)	6 (6)
	9 (9)	53 (50)	29 (30)	11 (11)	102 (100)
Total	**9 (9)**	**54 (52)**	**31 (33)**	**14 (12)**	**108 (106)**

As against 2020, the number of amber risks remained at six. The risk recognized in 2020 of a "long-term lockdown imposed in response to the pandemic" and of the "nationwide introduction of a 'rent freeze'" were considered obsolete. New risks that arose in 2021 were associated with "amendments to the German Real Estate Transfer Tax Act (Grunderwerbsteuergesetz) due to share deals" and "unfavorable interest rate developments."

At the end of 2021 (previous years in parentheses), the net risks identified can be summarized as follows:

Net risks

Probability of occurrence over the next 5 years (in %)						
	> 95					
	60–95	5 (4)	1 (1)			
	40–59	3 (4)	1 (1)			
	5–39	25 (22)	15 (13)	2 (1)		
	< 5	41 (45)	6 (4)	4 (5)	3 (3)	2 (3)
Impact on profit and loss		5–25	25–100	100–250	250–500	> 500
Impact on statement of financial position		80–400	400–1,600	1,600–4,000	4,000–8,000	> 8,000
		Amount of loss over the next 5 years (in € million)				

In the 2021 fiscal year, we were once again exposed to the coronavirus pandemic, a situation that we were able to address without any significant impact on our corporate objectives. Due to our experience, gleaned in 2020, of how to handle the pandemic on a day-to-day basis and thanks to a large proportion of our employees being able to work from home, we were able to continue operating throughout 2021. We were also able to provide our craftsmen's, service and construction services on location without encountering any significant restrictions. Thanks to the responsible conduct shown by our employees, there have been no significant restrictions on our operations overall.

Based on our current assessment of the situation, we consider the prospect of a **long-term lockdown imposed due to the coronavirus pandemic**, which was previously included with a potential impact of > € 500 million and a probability of occurrence of <5%, to be extremely unlikely. As a result, the corresponding amber risk no longer applies. We believe that the green risk of another short-term lockdown is possible and expect this risk to involve a low amount of loss.

Based on our current assessment of the situation, we no longer believe that there is a risk of the **nationwide introduction of a rent freeze**.

A new amber risk that is classified as very unlikely, with a <5% probability of occurrence, is the risk with an impact on profit and loss associated with **"amendments to the German Real Estate Transfer Tax Act due to share deals"**. The amendments to the German Real Estate Transfer Tax Act that came into force on July 1, 2021, lowering the participation threshold from 95% to 90% and increasing the observation period from 5 to 10 years, could give rise to a subsequent liability to pay real estate transfer tax. The expected loss amount is currently estimated at >€ 500 million.

The risk associated with **"unfavorable interest rate developments"** which was previously recognized as a green risk with an impact on profit and loss, is now recognized as an amber risk due to the potential probability of occurrence being increased from <5% to 5–39%. The expected loss amount is currently estimated at € 100–250 million.

For the amber risk with an impact on profit and loss associated with a **"deteriorating residential property market situation with regard to apartment sales / buyer behavior,"** the assessment of the expected amount of loss remains unchanged year-on-year at € 100–250 million, and the evaluation of the probability of occurrence is also unchanged at 5–39%.

The assessment of the amber risk with an impact on profit and loss associated with a **"failure to fulfill obligations (from bonds, secured loans, transactions)"** remains unchanged in a year-on-year comparison with a probability of occurrence of <5% and an expected loss amount of >€ 500 million.

The assessment of the loss amount for the amber risk with an impact on profit and loss associated with an **"adverse structure of CO_2 tax"** is unchanged at € 25-100 million, with the expected probability of occurrence 60-95%.

The amount of loss expected in connection with the amber risk with an impact on profit and loss associated with **"unfavorable exchange rate developments,"** which relates to our business activities in Sweden, remains unchanged at € 25–100 million, with a probability of occurrence of 40–59%.

The following overview of the remaining green risks presents the **four main risk categories** of the company in detail. Individual risks are shown as examples for each category:

Risks Related to Strategy

Overall, nine (2020: nine) risks, none of which have a material impact on Vonovia's business development, have been identified in this risk category. These relate, in particular, to the strategy of making acquisitions when the right opportunities present themselves and the strategy of developing new fields of business and are all green risks.

Vonovia's strategy is described in the Business Model & Strategy section. Based on this strategy, the Management Board has not identified any significant or acutely threatening risks, let alone risks that could pose a threat to the company's survival.

Vonovia has set itself an intensity target equating to a roughly 25% reduction in CO_2 emissions in its German portfolio by 2030 compared to the baseline year, 2019, in order to achieve its climate objectives and meet the associated regulatory requirements. We currently consider the risk of non-compliance to be low and improbable.

In addition, Vonovia could be exposed to risks associated with non-compliance with statutory requirements and investor or analyst expectations regarding its sustainability reporting. We currently assess this risk as being associated with a substantial amount of loss, but believe that it is very unlikely to materialize.

Risks could also arise from a failure to meet stakeholder expectations and statutory requirements with regard to diversity. We currently assess this risk as being associated with a low amount of loss and believe that it is very unlikely to materialize.

Risks Related to Operating Business

A total of 54 (2020: 52) risks were identified in this risk category. With the exception of the abovementioned amber risk relating to a "deteriorating residential property market situation with regard to apartment sales/buyer behavior," all risks in this category are green risks that are not of any material significance.

A drop in property values due to market-related factors can result in a reduction in the fair values of Vonovia's portfolio in the context of the fair value measurement process, albeit without this impacting liquidity. We currently assess this risk as being associated with a high amount of loss, but believe that it is very unlikely to materialize. Vonovia counters this risk by ensuring that its portfolio is diversified in terms of location. This reduces its reliance on local market developments. Negative market developments can also have an impact on the opportunities to sell apartments and buildings. Vonovia has established a stringent process for setting sale prices in order to monitor this risk. In addition, sales volumes, prices and margins are reported to the management team on a regular basis so that the company can respond quickly to market developments.

Structural risks, e.g., relating to fire protection, could arise in Vonovia's portfolio due to insufficient information on how the building construction work was executed. At present, we have assigned this risk a low amount of loss of € 5–25 million and a probability of occurrence of 5–39%. Vonovia counters this risk by carrying out regular inspections and checks on its properties, ensuring that any faults identified are rectified immediately, developing and implementing suitable fire protection concepts and implementing any amendments to construction regulations as part of a structured process. This procedure is also incorporated directly into the process for integrating real estate portfolios purchased by Vonovia.

Risks in the Development business can arise throughout the entire developmental cycle of the individual projects. These risks arise, in particular, from higher project costs as well as from changes in market conditions and customer preferences. We currently assess each of these risks as being associated with a significant amount of loss of € 25–100 million and a probability of occurrence of 5–39%. In order to counter these risks, Vonovia has established detailed due diligence measures that it applies whenever it purchases land as well as in its project and contract management activities. Furthermore, we closely monitor market developments. If necessary, Vonovia also has the option of adding apartments that it intended to sell to third parties to its own portfolio.

When it comes to the development of new fields of business in the Value-add segment, risks can arise from the design and implementation of the business models. Procurement prices can also develop differently than expected. At present, we have assigned this procurement price risk in our energy services area a low amount of loss of € 25–100 million and a probability of occurrence of <5%.

Failure to comply with statutory occupational health and safety and occupational safety management provisions could create risks for Vonovia. We currently assess these risks as being associated with a substantial amount of loss but believe that they are very unlikely to materialize.

What is more, crisis situations or catastrophes, such as floods, earthquakes, extreme weather events, etc. could have an impact on our real estate portfolio and require specific crisis management measures. We do not believe that climate change gives rise to any significant direct risks at the moment, e.g., caused by extreme weather conditions such as heavy rain with the potential for floods.

Risks Related to Regulatory Environment & Overall Statutory Framework

A total of 31 (2020: 33) risks were identified in this risk category. With the exception of the two amber risks mentioned above, "unfavorable exchange rate developments" and "adverse structure of CO_2 tax," none of the risks would have a material impact on Vonovia's business development and are classified as green risks as a result. Based on our current assessment, we have classified the previous amber risk of the "nationwide introduction of a 'rent freeze'" as obsolete.

In addition to the risks associated with the statutory requirements on how rent levels are set, there are a number of risks resulting from possible changes to the other overall statutory conditions that are relevant to our business. Changes to tax provisions, for example, could result in a higher current tax obligation. Similarly, further changes regarding the extent to which operating and ancillary expenses can be passed on could result in higher property management expenses or lower income in our Value-add Business. We do not expect these risks to have a material impact.

The public political debate surrounding housing availability and price trends is translating into efforts to expropriate housing portfolios. We assess this risk as being associated with a low amount of loss and believe that it is very unlikely to materialize.

In order to be able to pick up on potential changes in the overall statutory framework early on, Vonovia is involved in active dialog with policymakers and other stakeholders. Vonovia is also represented in associations and monitors the legislative procedure and recent court decisions on a regular basis.

Breaches of provisions concerning special contractual rights (Social Charters) can come hand-in-hand with risks. While we have assigned a significant amount of loss of € 100–250 million to these risks, we consider them very unlikely to materialize.

Vonovia's stock exchange listing means that it is subject to disclosure obligations. Failure to comply with these obligations is associated with both financial risks and risks of reputational damage. While we have assigned a significant amount of loss of € 100–250 million to these risks, we consider them very unlikely to materialize.

Long-term economic slumps triggered by macroeconomic and geopolitical risks, such as escalating trade conflicts, the economic impact of the coronavirus pandemic or foreign policy conflicts, could have an adverse effect on the overall conditions for Vonovia. We currently assess this risk as being associated with a substantial amount of loss of € 25–100 million, but believe that it is unlikely to materialize.

Breaches of the Code of Conduct, the Anti-Corruption Policy and legal requirements relating to bribery and corruption could entail risks for Vonovia. We currently assess these risks as being associated with a low amount of loss and believe that they are very unlikely to materialize.

Material impact of legal disputes can entail risks for Vonovia. We currently assess these risks as being associated with an amount of loss of € 25–100 million and believe that they are unlikely to materialize. We have also assessed existing risks from legal disputes regarding a property in Nuremberg as being associated with a potential amount of loss of € 5–25 million and believe that it is possible that these risks will materialize.

Failure to comply with working conditions that are required by law, such as minimum wage standards, safety standards, etc. as well as failure to respect human rights in the supply chain could result in risks for Vonovia. We currently assess these risks as being associated with a low amount of loss and believe that they are very unlikely to materialize.

Risks Related to Financing

Ensuring a balanced and sustainable financing approach focusing on security as well as extensive access to the equity and debt capital markets at all times is extremely important for Vonovia's business development. This orientation is also reflected in the risks identified in relation to financing. The number of risks in the "financing" category rose from 12 at the end of 2020 to 14 at the end of 2021.

In addition to the three amber risks referred to above, namely "failure to fulfill obligations (from bonds, secured loans, transactions)," "unfavorable interest rate developments" and "amendments to the German Real Estate Transfer Tax Act (Grunderwerbsteuergesetz) due to share deals," there are additional green risks relating to financing that are not of any material significance to Vonovia's business development.

Failure to comply with key financial figures or the assessment of our market positioning could result in Vonovia losing its current ratings (S&P: BBB+/Positive; Scope: A-/Stable; Moody's: A3/Stable). Given our financing strategy and the prerequisite that acquisition decisions cannot have any impact on our rating, we believe that this risk is associated with a low amount of loss and is very unlikely to materialize.

Factors such as a significant rating downgrade or a reluctance among institutional investors to invest due to market-related factors, as was the case, for example, during the financial crisis, or a poorer reputation due to the public debate on affordable housing, could result in restricted access to the bond market. We currently assess this risk as being associated with an amount of loss of € 250–500 million, but believe that it is very unlikely to materialize.

Vonovia is also exposed to the risk of losing sustainable financing. Sustainable "green" financing is becoming increasingly relevant. Failure by Vonovia to meet its sustainability targets, for example, could jeopardize the basis for this financing. We currently assess this risk as being associated with an amount of loss of € 25–100 million, but believe that it is very unlikely to materialize.

Vonovia is also exposed to a liquidity risk in its ongoing business activities. We have established extensive liquidity management processes in response to this risk. We currently assess this risk as being associated with a low amount of loss and believe that it is very unlikely to materialize. Vonovia also has a sufficient working capital facility available at all times and enjoys access to short-term money market securities. This means that, as of the reporting date, Vonovia SE has sufficient cash and cash equivalents and short-term financing options to guarantee the ability to pay of all Group companies at all times

Current Assessment of the Main Opportunities

Assessment of Opportunities Inherent in the Business Model

In the process of defining its strategy and preparing its short and medium-term plans, Vonovia has identified and addressed earnings potential. The assumptions applied within this context regarding the corporate strategy, economic environment and market-related factors, and the company's operating business are not only associated with risks. Rather, Vonovia's business development can also end up being more favorable than in the assumptions included in the company's plans.

Strategy-Related Opportunities

The decision to focus our business activities on sustainable and ecological action remains at the core of our corporate strategy. This can give rise to significant opportunities. Vonovia's stated aim is to improve quality of living and significantly reduce the CO_2 emissions originating from our residential properties. Vonovia is using sustainable, ecological building materials and sustainable energy concepts to help conserve scarce resources and make targeted use of renewable energy. Within this context, we see our neighborhoods as a strong link for sector coupling. As a result, we expect opportunities to arise from the targeted digital networking of electricity, heat and mobility. As far as electricity is concerned, we are looking at approaches involving, for example, green electricity generated on a decentralized level. Possible approaches related to heating include, for example, hybrid heating systems and neighborhood heat storage facilities. Mobility concepts include charging stations and wallboxes. Further opportunities are also arising from the ecological transformation of the residential environment, such as the creation of tenant gardens and flower meadows and the installation of insect hotels so as to make a contribution to biodiversity. By focusing our new construction activities on the latest ecological standards in a targeted manner, we can make a further contribution to alleviating the shortage of housing and improving our ecological footprint and stick to the binding climate path that we made a commitment to in the 2020 fiscal year.

Sociological and economic research data suggests that the population in Germany and parts of Europe will continue to grow as a result of migration. This will result in sustained high demand for affordable housing which cannot be satisfied in full by the expected levels of new construction activity, not even in the medium term. On the one hand, this translates directly into opportunities for the development and new construction business. On the other hand, the housing market will be faced not only with quantitative challenges due to the flow of migrants, but also with challenges relating to integration that Vonovia can counter using its experience of strategic and sustainable neighborhood development. Another key factor in this regard is the demographic change toward an aging society, resulting in what is likely to be a steady increase in the demand for senior-friendly and affordable homes over the coming years. As a result, opportunities could also arise from senior-friendly modernization and investment in new and innovative housing concepts.

The coalition agreement is aiming to increase the amount of affordable housing available both by building new properties and by transforming existing properties in a manner that is as close to climate-neutral as possible. This will not be possible without private-sector investment. Creating a positive investment climate for the residential real estate markets also, however, means making the required ecological construction and modernization measures cost-effective, making additional land available for construction, reducing the amount of red tape and promoting the acceptance of private-sector real estate investors in general, which can, in turn, create opportunities for Vonovia.

Looking at the internationalization strategy, the further regulatory changes in the residential property markets in other European countries, such as France, could give rise to further opportunities provided that the overall conditions are similar and consistent with our acquisition criteria. Other acquisition opportunities in Sweden, Austria and the Netherlands could also have a positive impact on business development.

Making acquisitions within the value chain as and when opportunities present themselves, also with regard to the Value-add Business, could open up additional earnings potential. In the Value-add Business itself, significant opportunities could also arise both from entry into the B2B business and from moves to expand existing business models to include customer groups outside of Vonovia. They systematic further development of the existing Value-add Business already, however, offers scope for further earnings potential. By way of example, the expansion of our business activities relating to tenant modernization and apartment design request packages and the expansion of "fiber to the home" (FTTH) services, metering services, care and support services for our older tenants and measures to develop residential surroundings could create opportunities.

Our corporate strategy also focuses on our employees' further development and on employee satisfaction. We aim to make use of new HR development concepts and actively shape the recruitment of new staff to fill vacant positions. We are also aiming to increase the proportion of women at the first and second levels of management. All in all, further opportunities could arise for Vonovia due to the advantages associated with diversity and as a result of our increased appeal as an employer.

Economic Environment and Market-Related Opportunities

The housing industry is being influenced to a considerable degree by a range of social and technological megatrends. According to analyses released by the German Federal Statistical Office, domestic migration from rural areas to the country's large metropolitan areas will continue unchanged. The resulting shortage of housing in urban areas could be exacerbated even further by the effects of migration from global crisis hotspots and the trend toward smaller households. In particular, it is worth noting in this context that the new German government plans to take targeted measures to promote immigration from non-EU countries. The German Federal Employment Agency (Bundesagentur für Arbeit) also expects Germany to require around 400,000 immigrants a year to close the gaps on the labor market resulting from demographic changes. As a result, the Cologne Institute for Economic Research expects to see a shortfall of as much as 308,000 apartments a year in the medium term. This development trend could benefit our existing real estate portfolio, which focuses primarily on small and medium-sized apartments in urban areas. Vonovia is also in a position to counter the increasing shortage of affordable housing through its development and new construction business. The German government coalition agreement has set a target involving the construction of 400,000 new apartments per year. This will not be possible without deregulation measures and the provision of additional land for construction, which could, in turn, create opportunities for Vonovia.

One megatrend that enjoys a particularly prominent position in the coalition agreement is undoubtedly climate protection. This is merely the logical consequence of the process of far-reaching social change that has been ongoing for years now. Within this context, the decision taken very early on to focus on energy-efficiency refurbishments could prove to be advantageous. After all, almost one-third of CO_2 emissions in Germany can currently be attributed to residential property. Aside from this, however, Vonovia also sees itself as a driver of innovation. In the Energy Center of the Future in Bochum-Weitmar, for example, Vonovia is testing experimental technologies for decentralized energy generation. In order to support this process, the “1,000 Roofs” program for decentralized energy generation launched in the 2019 fiscal year was completed successfully in 2021 before being extended until 2050 as the “30,000 Roofs” program. Sustained increased environmental awareness could therefore result in the Vonovia brand taking on increasingly positive connotations in the future and in greater demand for Vonovia’s energy-efficient apartments.

Opportunities Arising From the Operating Business

The megatrend of digitalization is also having an impact on the real estate sector, as is reflected not least in the establishment of a new Management Board division for digitalization and innovation as of January 1, 2022. This is why Vonovia will continue to make systematic investments in testing and expanding new technologies in the future, too, e.g., in the areas of “artificial intelligence” or “robotics.” We expect the systematic rollout of these and other technologies within the company, for example aimed at “predictive maintenance," “home automation," “process automation” and “building information system,” and at the interface with our customers, to create additional opportunities. “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. What is more, digital communication platforms can help to improve dialogue with tenants. Vonovia’s tenant app is a good example. The response to the app remains very positive and it is used extensively. Acquisition opportunities at all stages in the value chain to enable the further implementation of digital solutions within Vonovia’s processes, but also at the various interfaces, could open up further earnings potential in this area.

Digitalization could also, however, open up further opportunities outside of Vonovia. The digitalization of public administration could promote the much-called-for streamlining of administrative and, in particular, approval processes, with a positive impact, for example, on Vonovia’s development/new construction business thanks to the quicker approval of building applications.

In recent years, Vonovia has expanded its business activities to include attractive markets in other European countries. Within the context of these efforts, 2021 was characterized primarily by a consolidation phase, as is reflected most clearly in the future consolidation of the Swedish business under the new “Victoriahem” brand umbrella. The continuation of this strategy could give rise to further growth opportunities in Sweden, Austria, France and the Netherlands as well as in other European countries.

We also see the potential acquisition of larger portfolios in Germany, as well as the targeted small-scale “tactical” acquisitions of single or multiple buildings in specific locations and targeted measures in the residential environment as an opportunity to improve the nature and quality of whole residential districts and thus increase the appeal of our apartments for our customers and the value of our residential properties.

Vonovia manages its housing portfolios throughout Germany using standardized systems and processes. As a result, the acquisition of further residential real estate portfolios offers the opportunity to generate additional value through economies of scale on the property management side by reducing the costs per residential unit. This strategy is also reflected in the acquisition of Deutsche Wohnen, which we expect to generate synergies in the amount of € 105 million. The same applies to the corresponding transfer of expertise from the property management segment, the Value-add segment and the new construction and development segment to other European target markets. Vonovia also believes that opportunities could arise, in particular, from the fact that new construction and the development business can be made more efficient and more cost-effective by using modular construction, series construction or other innovative construction methods.

Our own craftsmen's organization is responsible for repair and maintenance services for our residential properties. We are aiming to continually increase the proportion of building and apartment optimizing services we provide ourselves via our craftsmen's organization as well as new building construction and reduce the proportion of third-party services that we need to purchase. In particular due to the shortage of workers with the desired skills and the availability of corresponding capacities, we intend to extend the scope of these services to cover all kinds of technical work and thus bring added value from these services to Vonovia. This is being supported by corresponding HR management concepts.

At the end of 2021 we had supplied around 330,000 households with a direct cable TV signal. Our subsidiary DMSG has also been developed into a full-service telecommunications provider that will continue to forge ahead with the expansion of fiber optics in Vonovia's properties. This will allow us to offer our tenants various different Internet products. We plan to continue to expand our business significantly to include various telecommunications services.

The expansion of smart submetering, the radio-based recording of heating costs, is progressing as planned. By the end of 2021, the retrofitting of more than 220,000 apartments had been commissioned. We plan to further expand these business activities in our portfolio over the next few years.

In the 2021 fiscal year, we further expanded our offering in the field of energy supplies, i.e., the distribution of electricity and gas. The market response to this remains positive. In the 2021 fiscal year, 32,000 private electricity customers were supplied with 42.1 GWh of electricity, with 4,400 private gas customers receiving 22.3 GWh of gas.

Financial Opportunities

Vonovia has benefited from extremely favorable conditions on the capital and banking markets in recent years, allowing it to establish a financing foundation that is stable in the long run. This gives Vonovia the opportunity to access relatively advantageous (re)financing options, even in market environments that may be more disadvantageous in the future. This is evident, in particular, from the fact that Vonovia had no problems refinancing the acquisition of Deutsche Wohnen via the equity and debt capital markets despite inflation rates being at an all-time high and despite the associated debate on the need to hike key interest rates in the future.

Together with the diversification strategy for liquidity procurement that we have been pursuing for many years now, we also have the opportunity to optimize the structure and conditions of our financial liabilities on an ongoing basis.

The strengthening of our market share in urban areas within our target markets could also have a positive impact on how our investors and ratings agencies assess our risks, resulting in a further improvement in our attractive financing conditions.

Our investments in affordable homes are associated with a cash flow that is largely independent of economic factors. The resulting stability allows us to service our financial liabilities with a relative degree of certainty, even in times of economic or political crisis. This is evident, in particular, from the fact that our rent default rate, which was already low to begin with, has not increased to any significant degree, even in the second year of the coronavirus pandemic.

Forecast Report

Business Outlook

Comparison of the Previous Forecasts With the Results From 2021

All in all, the 2021 fiscal year was very successful for Vonovia despite the ongoing coronavirus pandemic. By continuing with our crisis management approach, we were able to successfully meet the challenges posed by the coronavirus crisis. Segment revenue increased in all of our operating segments.

In addition, we used the successful takeover and acquisition of a majority stake in Deutsche Wohnen to further enhance our market position. Deutsche Wohnen was consolidated for the first time as of September 30, 2021, meaning that all opportunities and risks associated with the Deutsche Wohnen Group have also passed to Vonovia. The integration process has been launched successfully. The Deutsche Wohnen segment is included in the earnings contributions for the fourth quarter of 2021 for the first time. The Deutsche Wohnen integration process will potentially involve making decisions on a new segment structure in the 2022 fiscal year.

The coronavirus pandemic had no noteworthy impact on the Rental segment. In the Value-add segment, our modernization activities were only restricted to a slight degree by the coronavirus crisis. In the Recurring Sales segment, there were a few isolated delays in apartment viewings. The Development segment performed well thanks to successful project developments and completions. The **total segment revenue** came to around € 5.2 billion (incl. Deutsche Wohnen) in 2021, up by 18.5% on the prior-year figure of around € 4.4 billion. Excluding Deutsche Wohnen, total segment revenue came to around € 4.9 billion in 2021, up by around 11% on the prior-year figure, putting it at the lower end of the most recent forecast range of between € 4.9–5.1 billion.

Adjusted EBITDA Total rose by 18.8% from € 1,909.8 million to € 2,269.3 million (incl. Deutsche Wohnen).
Excluding Deutsche Wohnen, Adjusted EBITDA came to € 2,098.5 million. The latest forecast range was between € 2,055 million and € 2,105 million. With the exception of the Value-add segment, all other segments reported growth in Adjusted EBITDA. The increase in adjusted EBITDA Rental was driven primarily by organic growth resulting from new construction and modernization measures. In addition, Adjusted EBITDA in the Development segment rose from € 110.9 million in 2020 to € 187.7 million in 2021, primarily due to the global exit of a "Development to sell" project. **Group FFO** rose by 24.0% from € 1,348.2 million in 2020 to € 1,672.0 million in 2021 (incl. Deutsche Wohnen). Excluding Deutsche Wohnen, Group FFO came to € 1,534.5million, falling within the most recent forecast range of between € 1,520 million and € 1,540 million.

The **EPRA NTA per share** came in at € 66.73 in 2021, up by 13.5% on the TERP-adjusted prior-year value of € 58.78. This includes effects from fair value adjustments of investment properties in the amount of € 7.4 billion in total (2020: € 3.7 billion). The distribution of the cash dividend of € 486.0 million in 2021 had the opposite effect (2020: € 504.6 million). Excluding further market-related changes in value, the EPRA NTA per share was originally expected to increase moderately. From Vonovia's perspective, it is not possible to arrive at a valid forecast of market-related changes in value, which is why no EPRA NTA per share including market-related changes in value was forecast for 2021 (and the figure is not being forecast for 2022 either) and there will be no comparison with the value achieved in 2021.

In 2021, our **Sustainability Performance Index** (excluding Deutsche Wohnen) came to 109%, higher than our most recent forecast of 105% and the original forecast of around 100%. This was helped along in particular by the reduction of CO_2 intensity, the development of the average primary energy requirements of new construction, and the positive development of the customer satisfaction index.

Forecast for the 2022 Fiscal Year

Our forecast for the 2022 fiscal year is based on determined and updated corporate planning for the Vonovia Group as a whole, and considers current business developments, the acquisition of Deutsche Wohnen, possible opportunities and risks, and the expected impacts of the coronavirus pandemic. It also includes the key overall macroeconomic developments and the economic factors that are relevant to the real estate industry and our corporate strategy. Further information is provided in the sections entitled → **Development of the Economy and the Industry** and → **Fundamental Information About the Group**. Beyond this, the Group's further development remains exposed to general opportunities and risks (see chapter on → **Opportunities and Risks**).

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

We continue to expect that the coronavirus pandemic will not have a significant impact on the key operational and financial figures of any of the operating segments and therefore will have no noteworthy impact on future business development. We are currently observing stable demand for rental apartments and no negative impact on market values as a result of the coronavirus pandemic.

We expect total segment revenue to increase further in 2022. We also expect to see a marked increase in Adjusted EBITDA Total, with the Deutsche Wohnen operating segment contributing the biggest increase in absolute terms in 2022 (compared to the Q4 contribution in 2021) as it will be making a contribution for a full year. The EBITDA contribution for the Rental segment is expected to be on par with the previous year's level. We predict weak growth for Value-add and Recurring Sales. Given the strong result in the 2021 fiscal year, mainly due to a major global exit of a "Development to sell" project, we expect to see a slight decline in the Development segment. We also expect to see a marked increase in Group FFO. In addition, we expect the value of our company to increase further in 2022 and predict a slight increase in EPRA NTA per share, leaving any further market-related changes in value out of the equation.

Based on the individual weighted targets and the values planned for the 2022 fiscal year in each case, we predict a total value of around 100% for the Sustainability Performance Index (excluding Deutsche Wohnen).

The table below provides an overview of the development of our forecast performance indicators excluding Deutsche Wohnen, their target achievement level in the 2021 fiscal year, the Group figures for 2021 as well as a forecast for the 2022 fiscal year.

	Actual 2020	Forecast for 2021	Forecast for 2021 in the 2021 Q3 Report***	Actual 2021***	Actual 2021	Forecast for 2022
Total Segment Revenue	€ 4.4 billion	€ 4.9–5.1 billion	€ 4.9–5.1 billion	€ 4.9 billion	€ 5.2 billion	€ 6.2–6.4 billion
Adjusted EBITDA Total	**€ 1,909.8 million**	**€ 1,975–2,025 million**	**Around upper end of € 2,055–2,105 million**	**€ 2,098.5 million**	**€2,269.3 million**	**€ 2.75–2.85 billion**
Group FFO*	**€ 1,348.2 million**	**€ 1,415–1,465 million**	**€ 1,520–1,540 million**	**€ 1,534.5 million**	**€ 1,672.0 million**	**€ 2.0–2.1 billion**
Group FFO per share**	€ 2.23	suspended	suspended	€ 1.98	€ 2.15	suspended
EPRA NTA per share**	**€ 58.78**	**suspended**	**suspended**	**–**	**€ 66.73**	**suspended**
Sustainability Performance Index (SPI)***	**–**	**~100%**	**~105%**	**109%**	**–**	**~100%**
Rental income rental Segment/Deutsche Wohnen	€ 2,285.9 million	€ 2.3–2.4 billion	€ 2.3–2.4 billion	€ 2,361.6 million	€ 2,568,7 million	€ 3.1–3.2 billion
Organic rent growth (eop)	3.1%	Increase of ~3.0–3.8%****	Increase of ~3.8%	3.8%	3.8%	Increase of ~3.3%
Modernization and new construction	€ 1,343.9 million	€ 1.3–1.6 billion	€ 1.3–1.6 billion	€ 1,285.2 million	€ 1,398.3 million	€ 2.1–2.5 billion
Number of units sold Recurring Sales/Deutsche Wohnen core	2.442	~2,500	~2,800	2.747	2.748	~3,000
Fair value step-up Recurring Sales/Deutsche Wohnen core	39.6%	~30%	>35%	38.8%	38.8%	~30%

* Comparable Group FFO 2021 based on a new definition for 2022 without elimination of IFRS 16 effect: € 1,709.3 million.
** Based on the shares carrying dividend rights on the reporting date, prior-year value TERP-adjusted (1.067), excluding real estate transfer tax and taking into account the total deferred taxes on investment properties of Deutsche Wohnen in the amount of € 5,880 million (previously only 50% included), this results in an EPRA NTA per share 2021 of € 62.77.
*** Excluding Deutsche Wohnen.
**** Depending on whether or not the Act on Rent Controls in the Housing Sector in Berlin (MietenWoG Bln) is found to be constitutional at the end of 2021, we expect rent increases at the upper/lower end of the forecast.

Bochum, Germany, March 10, 2022

The Management Board

Rolf Buch (CEO)	Arnd Fittkau (CRO)	Philip Grosse (CFO)	Daniel Riedl (CDO)	Helene von Roeder (CTO)

Consolidated Financial Statements

The Group's net assets, financial position and results of operations remain very positive. Total assets rose by € 43.9 billion to € 106.3 billion, mainly due to acquisitions. Earnings per share declined to € 4.22; the earnings contribution made by the Deutsche Wohnen Group in the fourth quarter of 2021 is included in this figure. Real estate assets increased by 58.9% in the 2021 fiscal year to € 97.8 billion. Cash and cash equivalents amounted to around € 1.4 billion at the end of the year.

Consolidated Income Statement

for the period from January 1 until December 31

in € million	Notes	2020	2021
Income from property letting		3,069.4	3,465.0
Other income from property management		77.7	158.9
Income from property management	B10	**3,147.1**	**3,623.9**
Income from the disposal of properties		586.3	1,122.2
Carrying amount of properties sold		-482.4	-1,044.6
Revaluation of assets held for sale		78.2	87.4
Profit from disposal of properties	B11	**182.1**	**165.0**
Income from the disposal of properties		297.7	519.6
Cost of sold properties		-235.9	-381.7
Profit from the disposal of properties	B12	**61.8**	**137.9**
Net income from fair value adjustments of investment properties	B13	3,719.8	7,393.8
Capitalized internal expenses	B14	659.4	662.6
Cost of materials	B15	-1,493.4	-1,671.1
Personnel expenses	B16	-594.9	-682.3
Depreciation and amortization	D26	-92.3	-3,482.2
Other operating income	B17	163.0	276.9
Impairment losses on financial assets		-40.0	-39.2
Net income from the derecognition of financial assets measured at amortized cost		0.0	-2.5
Other operating expenses	B18	-278.8	-388.9
Net income from investments accounted for using the equity method		2.7	15.7
Interest income	B19	21.9	21.5
Interest expenses	B20	-411.4	-411.6
Other financial result	B21	-32.6	-137.1
Earnings before tax		**5,014.4**	**5,482.4**
Income taxes	B22	-1,674.4	-2,651.5
Profit for the period		**3,340.0**	**2,830.9**
Attributable to:			
Vonovia's shareholders		3,228.5	2,641.9
Vonovia's hybrid capital investors		40.0	38.4
Non-controlling interests		71.5	150.6
Earnings per share (basic and diluted) in €	C24	**5.50**	**4.22**

Consolidated Statement of Comprehensive Income

for the period from January 1 until December 31

in € million	2020	2021
Profit for the period	3,340.0	2,830.9
Change in unrealized gains/losses	-10.1	26.5
Taxes on the change in unrealized gains/losses	3.3	-8.3
Net realized gains/losses	34.1	-0.4
Taxes due to net realized gains/losses	-8.0	3.2
Profit on cash flow hedges	19.3	21.0
Changes in the period	177.0	-110.7
Tax effect	-25.1	13.3
Profit on currency translation differences	151.9	-97.4
Items which will be recognized in profit or loss in the future	171.2	-76.4
Changes in the period	9.0	81.1
Taxes on changes in the period	-0.2	-1.2
Profit on equity instruments at fair value in other comprehensive income	8.8	79.9
Change in actuarial gains/losses, net	-18.6	37.0
Tax effect	5.8	-12.6
Profit on actuarial gains and losses from pensions and similar obligations	-12.8	24.4
Items which will not be recognized in profit or loss in the future	-4.0	104.3
Other comprehensive income	167.2	27.9
Total comprehensive income	**3,507.2**	**2,858.8**
Attributable to:		
Vonovia's shareholders	3,395.8	2,669.3
Vonovia's hybrid capital investors	40.0	38.4
Non-controlling interests	71.4	151.1

Consolidated Balance Sheet

Assets

in € million	Notes	Dec. 31, 2020	Dec. 31, 2021
Intangible assets	D26	1,611.7	3,005.3
Property, plant and equipment	D27	387.6	654.1
Investment properties	D28	58,071.8	94,100.1
Financial assets	D29	383.1	1,016.7
Investments accounted for using the equity method	D30	32.9	548.9
Other assets	D31	128.5	199.6
Deferred tax assets	D32	16.4	19.8
Total non-current assets		**60,632.0**	**99,544.5**
Inventories	D33	8.7	16.4
Trade receivables	D34	268.9	449.9
Financial assets	D29	0.4	1,063.3
Other assets	D31	119.0	220.9
Income tax receivables	D32	39.8	201.9
Cash and cash equivalents	D35	613.3	1,432.8
Real estate inventories	D36	570.4	671.2
Assets held for sale	D37	164.9	2,719.4
Total current assets		**1,785.4**	**6,775.8**
Total assets		**62,417.4**	**106,320.3**

Equity and Liabilities

in € million	Notes	Dec. 31, 2020	Dec. 31, 2021
Subscribed capital		565.9	776.6
Capital reserves		9,037.9	15,458.4
Retained earnings		13,368.2	16,925.9
Other reserves		171.9	126.2
Total equity attributable to Vonovia shareholders		**23,143.9**	**33,287.1**
Equity attributable to hybrid capital investors		1,001.6	–
Total equity attributable to Vonovia shareholders and hybrid capital investors		**24,145.5**	**33,287.1**
Non-controlling interests		686.3	3,258.0
Total equity	E38	**24,831.8**	**36,545.1**
Provisions	E39	711.3	866.3
Trade payables	E40	5.0	5.4
Non-derivative financial liabilities	E41	22,375.1	40,171.9
Derivatives	E42	76.8	66.2
Lease liabilities	E43	467.3	634.9
Liabilities to non-controlling interests	E44	26.8	224.5
Financial liabilities from tenant financing	E45	45.3	44.9
Other liabilities	E46	2.6	5.2
Deferred tax liabilities		10,959.6	18,693.9
Total non-current liabilities		**34,669.8**	**60,713.2**
Provisions	E39	389.0	727.2
Trade payables	E40	229.5	444.4
Non-derivative financial liabilities	E41	1,709.6	6,857.1
Derivatives	E42	222.2	266.0
Lease liabilities	E43	27.8	44.2
Liabilities to non-controlling interests	E44	16.3	16.0
Financial liabilities from tenant financing	E45	118.1	112.6
Other liabilities	E46	203.3	228.8
Liabilities associated with assets classified as held for sale	D37	–	365.7
Total current liabilities		**2,915.8**	**9,062.0**
Total liabilities		**37,585.6**	**69,775.2**
Total equity and liabilities		**62,417.4**	**106,320.3**

Consolidated Statement of Cash Flows

for the period from January 1 until December 31

in € million	Notes	2020	2021
Profit for the period		3,340.0	2,830.9
Net income from fair value adjustments of investment properties	B13	-3,719.8	-7,393.8
Revaluation of assets held for sale	B11	-78.2	-87.4
Depreciation and amortization	D26	92.3	3,482.2
Interest expenses/income and other financial result	B19/B20/B21	435.5	554.9
Income taxes	B22	1,674.4	2,651.5
Profit on disposal of investment properties	B11	-103.9	-77.6
Results from disposals of other non-current assets		-0.1	-0.6
Other expenses/income not affecting cash		3.2	-94.4
Change in working capital		-134.6	51.2
Income tax paid		-78.3	-93.0
Cash flow from operating activities		**1,430.5**	**1,823.9**
Proceeds from disposals of investment properties and assets held for sale		587.4	1,084.8
Proceeds from disposals of other assets		0.8	132.7
Payments for investments in investment properties	D28	-1,723.7	-1,957.1
Payments for investments in other assets	D26/D27/D29	-272.3	-352.7
Payments for acquisition of shares in consolidated companies, in due consideration of liquid funds	A4	-330.3	-17,122.8
Payments for acquisition of other financial assets		–	-912.8
Interest received		8.2	12.1
Cash flow from investing activities		**-1,729.9**	**-19,115.8**

in € million	Notes	2020	2021
Capital contributions on the issue of new shares (including premium)	E38	1,003.0	8,080.5
Cash paid to shareholders of Vonovia SE and non-controlling interests	E38	-520.8	-514.6
Cash paid to hybrid capital investors	E38	-40.0	-1,040.0
Proceeds from issuing financial liabilities	E41	4,188.6	23,945.3
Cash repayments of financial liabilities	E41	-3,721.5	-11,534.0
Cash repayments of lease liabilities	E43	-23.1	-27.3
Payments for transaction costs in connection with capital measures	E41	-42.4	-346.1
Payments for other financing costs		-17.7	-28.5
Payments in connection with the disposal of shares in non-controlling interests		-14.3	-7.7
Interest paid	A4	-409.2	-402.6
Cash flow from financing activities		402.6	18,125.0
Influence of changes in foreign exchange rates on cash and cash equivalents		9.4	-2.3
Change in cash and cash equivalents related to assets held for sale		–	-11.3
Net changes in cash and cash equivalents		112.6	819.5
Cash and cash equivalents at the beginning of the period	D35	500.7	613.3
Cash and cash equivalents at the end of the period*		**613.3**	**1,432.8**

* Includes € 298.8 million (Dec. 31, 2020: € 0.0 million) in current securities classified as cash equivalents and total restricted cash of € 117.6 million (Dec. 31, 2020: € 159.9 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, 2021	**565.9**	**9,037.9**	**13,368.2**	**-32.9**	**50.0**
Profit for the period			**2,641.9**		
Changes in the period			23.9	18.2	79.9
Reclassification affecting net income				2.8	
Other comprehensive income			**23.9**	**21.0**	**79.9**
Total comprehensive income			**2,665.8**	**21.0**	**79.9**
Capital increase	210.7				
Premium on the issue of new shares		8,340.1			
Transaction costs in connection with the issue of shares		-93.4			
Reclassification of equity instruments at fair value in other comprehensive income			49.2		-49.2
Withdrawal from the capital reserves		-1,826.2	1,826.2		
Dividend distributed by Vonovia SE			-956.3		
Addition of non-controlling interests due to acquisition of Deutsche Wohnen					
Changes recognized directly in equity			-27.2		
As of Dec. 31, 2021	**776.6**	**15,458.4**	**16,925.9**	**-11.9**	**80.7**
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**

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
154.8	171.9	23,143.9	1,001.6	24,145.5	686.3	24,831.8
		2,641.9	38.4	2,680.3	150.6	2,830.9
-97.4	0.7	24.6		24.6	0.5	25.1
	2.8	2.8		2.8		2.8
-97.4	3.5	27.4		27.4	0.5	27.9
-97.4	3.5	2,669.3	38.4	2,707.7	151.1	2,858.8
		210.7		210.7		210.7
		8,340.1		8,340.1		8,340.1
		-93.4		-93.4		-93.4
	-49.2	0.0		0.0		0.0
		0.0		0.0		0.0
		-956.3		-956.3		-956.3
					2,436.6	2,436.6
		-27.2	-1,040.0	-1,067.2	-16.0	-1,083.2
57.4	126.2	33,287.1	0.0	33,287.1	3,258.0	36,545.1
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

Notes

(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 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, 2021 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	Profit for the period
B12	Profit on the disposal of properties
B22	Income taxes
C24	Earnings per share
D26	Other intangible assets
D27	Property, plant and equipment
D28	Investment properties
D29	Financial assets
D33	Inventories
D29	Impairment losses on financial assets
D35	Cash and cash equivalents
D36	Real estate inventories
D37	Assets and liailities held for sale
E38	Total equity
E39	Provisions
E41	Non-derivative financial liabilities
E43	Leases
E44	Liabilities to non-controlling interests
E45	Financial liabilities from tenant financing
F48	Share-based payment

2 Adjustment to Prior-year Figures

In connection with the acquisition of the Deutsche Wohnen Group, material non-current financial assets accounted for using the equity method were also acquired. Due to the increased significance of the balance sheet item, the financial assets measured using the equity method and recognized in non-current financial assets in previous years were shown on a separate line in the balance sheet. Compared to the prior-year reporting, non-current financial assets declined by € 32.9 million in the 2021 fiscal year and are recognized on a separate line.

The capital increase implemented in December 2021 also involved the issue of subscription rights for existing shareholders. Since the subscription price for the new shares was lower than the market price of the existing shares, the capital increase included a bonus element. According to IAS 33, the bonus element is the result of an implicit change in the number of shares outstanding for all periods prior to the capital increase without a fully proportionate change in resources. As a consequence, the average number of shares outstanding has been adjusted retroactively for prior-year disclosures accordingly from 550,416,020 to 587,143,419. For additional information on disclosures, see chapter [C24] Earnings per share.

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, 736 companies (Dec. 31, 2020: 588) – thereof 441 (Dec. 31, 2020: 285) domestic companies and 295 (Dec. 31, 2020: 303) foreign companies – have been included in the consolidated financial statements as of December 31, 2021. In addition, joint activities were performed with two domestic companies (Dec. 31, 2020: two). In addition, 25 (Dec. 31, 2020: four) domestic companies and one (Dec. 31, 2020: one) foreign company were included as joint ventures and five domestic companies (Dec. 31, 2020: zero) and two (Dec. 31, 2020: two) foreign companies were included as associates accounted for using the equity method.

Three (Dec. 31, 2020: 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 year-over-year changes in the consolidated companies as of December 31, 2021 result from 166 acquisitions, 14 mergers, an accrual, a liquidation and two sales. The change in joint ventures results from 23 acquisitions and two liquidations; the change in associates results from five acquisitions.

Acquisition of Deutsche Wohnen SE

On June 23, 2021 Vonovia SE, Bochum, 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 (local time in Frankfurt am Main) on July 21, 2021 (reference date).

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 approx. 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 reference 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 SE 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 approx. 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 non-current financial assets accounted for using the equity method. This profit share corresponds to an average pro rata interest of 29.8% and reflects the proportion for which shares in the profit for the period under review existed. 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 the business combination agreement had been revised and another offer would be published. 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 offered cash consideration of € 53.00 for each share in Deutsche Wohnen. A minimum acceptance threshold of 50% was also a key closing condition. The offer period originally started on August 23 and ended at midnight (CEST) on September 20, 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 was 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 meant that the offer was 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.

By the end of the further acceptance period at midnight CEST on October 21, 2021 the takeover offer had been accepted for a total of 198,463,161 shares in Deutsche Wohnen.

Since the acquisition of shares within the further acceptance period were effected under exactly the same conditions as in the first acceptance period and the two business transactions were related in terms of content and timing, these transactions are to be regarded as linked transactions. All in all, 87.36% of the share capital entitled to voting rights was included in the recognition of the business combination.

On October 14, 2021 Vonovia also converted convertible bonds of Deutsche Wohnen SE previously acquired on the market into 7,796,827 Deutsche Wohnen SE shares in a transaction not related to the takeover offer.

Therefore, the total number of shares entitled to voting rights held by Vonovia in Deutsche Wohnen SE as of December 31, 2021 amounts to 347,728,483. Of these shares, 198,463,161 were tendered as part of the takeover offer, 141,468,495 were acquired on the market or by way of individual agreements and 7,796,827 were added through the conversion of acquired convertible bonds. As of December 31, 2021 this represents 87.60% of the share capital entitled to voting rights. Deutsche Wohnen SE also holds a further 3,362,003 shares as own shares.

The following tables summarizes the development of the share capital shareholding in Deutsche Wohnen SE.

	until date	number of shares	share quota
Market acquisitions	Jul. 21, 2021	66,057,759	
Acquisition through conditional purchase agreement	Jul. 21, 2021	12,708,563	
Date of inclusion using the equity method	**Jul. 21, 2021**	**78,766,322**	**21.89%**
Market acquisitions	Aug.23, 2021	29,201,317	
Market acquisitions	Sept. 30, 2021	33,500,856	
Shares tendered during the offer phase	Sept. 30, 2021	42,999,948	
Acquisition date	**Sept. 30, 2021**	**184,468,443**	**50.38%**
Shares tendered during the extended offer phase	Oct. 21, 2021	155,463,213	
Shares recognised in course of the business combination		**339,931,656**	**87.36%**
Conversion of convertible bonds held	Oct. 14, 2021	7,796,827	
Reporting date	**Dec. 31, 2021**	**347,728,483**	**87.60%**

As part of the provisional purchase price allocation, the total consideration of the acquisition 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	10.5
Total consideration	**18.0**

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	28.2
Financial assets	1.0
Cash and cash equivalents	0.8
Assets held for sale	2.2
Fair value of other assets	1.4
Total assets	**33.6**
Provisions	0.5
Non-derivative financial liabilities	11.2
Deferred tax liabilities	5.4
Non-controlling interests	0.5
Fair value of other liabilities	0.7
Total liabilities	**18.3**
Fair value net assets	**15.3**
Consideration	18.0
Non-controlling interests	2.0
Goodwill	**4.7**

The non-controlling interests are included based on the share of the assets and liabilities of Deutsche Wohnen SE that have been recognized.

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 only provisionally allocated to one or several cash-generating units due to the still provisional allocation of the consideration to assets and liabilities.

In general, the discounted cash flow (DCF) method was used to measure investment properties. 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 measurement was performed at the level of a homogeneous valuation unit, meaning that it is consistent with the principle of individual valuation.

The fair value of the loans under the item non-derivative liabilities 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 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 carry-fowards 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. The corresponding adjustments were made under deferred tax liabilities.

The measurement of the acquired joint ventures and associates under the item fair value of other assets took place using a DCF methodology based on the planning of the respective companies and the use of company-specific weighted average costs of capital (WACC).

The acquired brand rights in the area of nursing care, i.e., "Pflege & Wohnen Hamburg" and "Katharinenhof" under the item fair value of other assets, were measured using the relief-from-royalty method. This method is based on the assumption that the value of this intangible asset will correspond to the present value of the royalty fees saved after tax that are attributable to the asset concerned.

The multi-period excess earnings method (MEEM) was used to measure the existing care agreements under the item fair value of other assets. Using this method, the fair value of intangible assets is calculated as the residual value following deduction of hypothetical payments for the use of so-called "supporting assets." In the process, it is assumed that a company that only owns the measurable intangible asset itself either licenses, leases or rents all other supporting assets necessary for the company's operations. As such, fictitious usage fees for all supporting assets ("contributory asset charges [CACs]") need to be determined and deducted as part of the MEEM.

As of September 30, 2021 the Deutsche Wohnen Group comprised 163 fully consolidated companies. The Deutsche Wohnen Group also held 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.

Starting on September 30, 2021 the Deutsche Wohnen Group contributed € 971.0 million to income, as well as € 262.9 million to profit for the period. This amount includes income of € 68.8 million from the business areas nursing and assisted living.

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 in the amount of € 2,297.4 million and to profit/loss for the period in the amount of € 1,034.9 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 € 80.9 million. The net carrying amount, which corresponds to the fair value, was € 60.8 million.

In the 2021 fiscal year, transaction costs related to the acquisition of the Deutsche Wohnen Group in the amount of € 210.8 million were recognized in other operating expenses affecting net income. € 89.0 million of this amount is recognized in other operating expenses, € 109.4 million in other financial result and € 12,4 million in interest expenses.

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, was 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 purchase price allocation, the consideration transferred for the business combination comprises the following:

in € billion	
Net cash purchase price component	93.2
Total consideration	**93.2**

The 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 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**

There were no changes compared with the preliminary allocation of the total consideration as of December 31, 2020.

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 in the North region. It was allocated to the cash-generating unit North business area.

In the 2021 fiscal year, H&L contributed € 5.8 million to income, as well as € 10.6 million to profit for the period.

The gross carrying amount of the acquired trade receivables was € 0.4 million. Transaction costs of € 0.0 million have been recognized in connection with the transaction in the 2021 fiscal year.

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 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, 2020	Dec. 31, 2021	2020	2021
SEK – Swedish krona	10.03	10.25	10.48	10.15
USD – US dollar	1.23	1.13	1.14	1.18

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 2021 fiscal year, Vonovia was granted low-interest loans of € 130.4 million (2020: € 182.4 million).

8 Changes in Accounting Policies, Estimates, Assumptions, Options and Judgments

Changes to Key Accounting Methods

The Group did not have to apply any Interest Rate Benchmark Reform as of January 1, 2021.

Measures to Address the Interest Rate Benchmark Reform and the Associated Risks

General

The key interest rate benchmarks are being fundamentally reformed across the globe, including the replacement of some interbank offered rates (IBORs) with alternative, virtually risk-free rates (referred to as the IBOR Reform).

Financial instruments held by the Group are subject to IBORs that have not been replaced or reformed as part of these market-wide initiatives. The biggest risk for the Group in connection with the IBOR as of December 31, 2021 was the connection to EURIBOR and STIBOR. As these are likely to remain in place until 2025, no changes had to be made to the financial instruments as of December 31, 2021 meaning that no new interest rate benchmarks have to be taken into account in this respect.

Although USD-LIBOR was to have been discontinued by the end of 2021, the ICE Benchmark Administration (IBA), the LIBOR administrator regulated and licensed by the UK Financial Conduct Authority (FCA), announced in November 2020 that it had started discussing ending the publication of certain USD-LIBORs after June 2023. As of December 31, 2021 it remains unclear when the date on which publication of USD-LIBOR will cease will be announced. The Group does not hold any financial instruments subject to USD-LIBOR.

The IBOR risks to which the Group is exposed as of December 31 relate to EURIBOR-linked corporate bonds. As explained above, the Group did not have to make any amendments to the contractual terms to reflect any risks resulting from the connection with EURIBOR.

The EURIBOR calculation method changed in the course of 2019.

In July 2019, the Belgian Financial Services and Markets Authority approved EURIBOR pursuant to the European Union Benchmarks Regulation. This allows market participants to continue to use EURIBOR for both existing and new contracts, and the Group expects EURIBOR to remain the interest rate benchmark for the foreseeable future.

Derivatives

The Group holds interest rate swaps designated in hedging relationships for the hedging of cash flows for risk management purposes. The variable amounts under the interest rate swaps are linked to EURIBOR.

Hedge accounting

The Group's hedged items and hedging instruments are linked to EURIBOR as of the reporting date. These benchmarks are fixed daily and the IBOR cash flows are exchanged with the contractual counterparties as usual.

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 2021 fiscal year. They did not have any material effects on Vonovia's consolidated financial statements.

> IAS 39 "Financial Instruments: Recognition and Measurement"
> IFRS 4 "Insurance Contracts"
> 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 COVID-19 pandemic, IFRS 16 was amended to provide companies with an exemption from assessing whether a COVID-19-related rent concession is a lease modification within the meaning of IFRS 16. Instead, they can opt to account for COVID-19-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). This relief was initially limited until June 30, 2021 but was extended until June 30, 2022 in April 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 COVID-19 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 2021 fiscal year. Vonovia also did not choose to apply them in advance. It is expected that the application of the new or amended standards and interpretations will have no material effects on Vonovia's consolidated financial statements. 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 8	"Accounting policies, Changes in Accounting Estimates and Errors"	Jan. 1, 2023*
IAS 12	"Income Taxes"	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
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. 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 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 calculating 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 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.

In connection with the application of IFRS 15, it is assumed with respect to determining progress in relation to revenue recognition over time that the costs incurred appropriately reflect the progress as a share of total costs.

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:

> The group of investments accounted for using the equity method is determined by assessing significant influence.
> 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 acquisition costs 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

The Supervisory Board of Vonovia SE appointed Philip Grosse as a member of the Management Board as CFO effective from January 1, 2022. At the same time, Helene von Roeder, previously the company's CFO, was appointed Chief Transformation Officer (CTO) of the newly created Innovation and Digitalization executive division. In implementing the business combination agreement concluded between Vonovia and Deutsche Wohnen as part of the merger, Vonovia is therefore enlarging the Management Board from four to five members.

Vonovia SE extended Rolf Buch's contract as CEO, which is set to expire in February 2023, by a further five years.

Vonovia and Deutsche Wohnen sold residential and commercial units to public housing companies in Berlin in September 2021. In the majority of cases, title was transferred in January 2022 with a volume of € 2,339.0 million.

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 came to around € 3,490.0 million as of December 31, 2021. This bridge financing was syndicated with 11 further banks. As of January 7, 2022 € 2,060.0 million was repaid. The outstanding bridge financing was reduced by a further € 500 million on January 21, 2022 and was repaid in full on March 1, 2022.

On February 16, 2022 Vonovia SE issued promissory note loans of € 1.0 billion with terms of five to 30 years and an average interest rate of 1.13%.

On October 29, 2021 Vonovia SE published the document for its voluntary public takeover offer (cash offer) for the shareholders of GSW Immobilien AG, Berlin (GSW), through which it would acquire the no-par-value bearer shares held in GSW in return for a consideration of €114.81 per share. By the end of the further acceptance deadline at midnight (local time in Frankfurt am Main) on January 6, 2022 (reference date), the bidder's takeover offer for a total of 497,591 GSW shares was accepted. This corresponds to around 0.88% of the share capital and voting rights of GSW. Overall, Vonovia therefore holds around 94.02% of the share capital and voting rights in GSW.

On February 22, 2022 control of 20.5% of shares in the Adler Group, which were previously held by Aggregate Holdings Invest S.A., was transferred to Vonovia SE in the course of security recovery. The shares had been pledged to secure a loan that Vonovia had granted on October 7, 2021 through the repayment of a bank loan from Aggregate Holdings. The exercise of voting rights from shares of Vonovia is subject to the approval of the cartel office.

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 and, in particular, in the fiscal year under review.

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	2020	2021
Rental income	2,288.5	2,571.9
Ancillary costs	780.9	893.1
Income from property letting	3,069.4	3,465.0
Other income from property management	77.7	158.9
	3,147.1	**3,623.9**

Other income from property management includes income of € 68.8 million (2020: € - million) from the business area nursing and assisted living for the period from October 1, 2021 to December 31, 2021. This business area was new in 2021, compared to the previous year, due to the acquisition of the Deutsche Wohnen Group.

11 Profit on the Disposal of Properties

in € million	2020	2021
Income from the disposal of investment properties	321.3	239.2
Carrying amount of investment properties sold	-217.4	-161.6
Profit on the disposal of investment properties	103.9	77.6
Income from sale of assets held for sale	265.0	883.0
Retirement carrying amount of assets held for sale	-265.0	-883.0
Revaluation of assets held for sale	78.2	87.4
Profit on the disposal of assets held for sale	78.2	87.4
	182.1	**165.0**

The change in fair value 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 € 87.4 million as of December 31, 2021 (2020: € 78.2 million).

The increase in income from the sale of assets held for sale mainly results from the transfer of benefits and encumbrances in the fourth quarter of 2021 for two portfolio transactions of the Deutsche Wohnen Group with a total of 3,126 units in Rhineland-Palatinate, which were visited in May 2021 and certified in August 2021.

12 Profit on Disposal of Real Estate Inventories

Accounting Policies

Income from the disposal of real estate inventories 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 real estate inventories in the amount of € 519.6 million (2020: € 297.7 million) comprises € 420.1 million (2020: € 194.4 million) in period-related income from the disposal of real estate inventories together with € 99.5 million (2020: € 103.3 million) in time-related income from the disposal of real estate inventories. As of the reporting date, contract assets of € 247.0 million (2020: € 121.5 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 € 236.2 million (2020: € 87.1 million). The year-on-year increase is due to the overall increase in the project volume, as well as to the transfer of benefits and encumbrances for a project in Vienna in connection with the sale to an individual investor (Global Exit).

A transaction price of € 197.9 million (2020: € 124.2 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 € 174.2 million attributable to 2022 and an amount of € 23.7 million to 2023.

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. The external appraiser Savills Sweden AB is responsible for the valuation of the portfolios in Sweden. The nursing care properties are valued by W&P Immobilienberatung GmbH. 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 valuation gain during the 2021 fiscal year of € 7,393.8 million (2020: € 3,719.8 million; see explanatory information in chapter [D28] Investment Properties). This includes € -12.1 million (2020: € -1.8 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 € 83.9 million in the 2021 fiscal year (2020: € 62.0 million).

The valuation result for 2021 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 € 662.6 million (2020: € 659.4 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	2020	2021
Expenses for ancillary costs	780.5	898.1
Expenses for maintenance and modernization	586.4	635.9
Other cost of purchased goods and services	126.5	137.1
	1,493.4	**1,671.1**

16 Personnel Expenses

in € million	2020	2021
Wages and salaries	488.0	558.3
Social security, pensions and other employee benefits	106.9	124.0
	594.9	**682.3**

The personnel expenses include expenses for severance payments in the amount of € 17.8 million (2020: € 3.6 million), allocations to the provisions for pre-retirement part-time work arrangements in the amount of € 0.0 million (2020: € 0.4 million) and expenses for the long-term incentive plan (LTIP) at € 6.2 million (2020: € 17.5 million) (see chapter [E39] Provisions).

In the fiscal year under review, employers' contributions to statutory pension insurance amounted to € 49.2 million (2020: € 41.4 million).

As of December 31, 2021, Vonovia had 15,871 employees (Dec. 31, 2020: 10,622) with the annual average coming to 13,351 employees (2020: 10,572). Vonovia also employed 857 apprentices as of December 31, 2021 (Dec. 31, 2020: 510).

17 Other Operating Income

in € million	2020	2021
Compensation paid by insurance companies	54.1	65.3
Reversal of provisions	33.4	45.2
Compensation for damages and cost reimbursements	15.6	16.3
Reversal of impairment losses	4.3	5.4
Dunning and debt collection fees	5.9	5.3
Miscellaneous	49.7	139.4
	163.0	**276.9**

The increase in miscellaneous other operating income results from the value adjustment of the Deutsche Wohnen shares purchased prior to September 30, 2021 in the amount of € 87.5 million (2020: € 0.0 million).

18 Other Operating Expenses

in € million	2020	2021
Consultants' and auditors' fees	47.6	136.8
Vehicle and traveling costs	30.5	30.2
Communication costs and work equipment	24.4	26.8
Advertising costs	16.6	26.6
Additions to provisions	21.5	20.0
Administrative services	16.9	17.8
Rents, leases and ground rents	17.7	17.7
Sales incidentals	1.4	10.9
Insured losses	12.1	9.8
Non-capitalizable expenses from real estate development	5.2	8.7
Costs of sale associated with real estate inventories	4.1	7.3
Impairment losses	4.3	2.9
Dunning and debt collection fees	3.3	2.6
Legal and notary costs	2.6	2.2
Miscellaneous	70.6	68.6
	278.8	**388.9**

The increase in consultants' and auditors' fees results from expenses related to the acquisition of the Deutsche Wohnen Group.

19 Interest Income

in € million	2020	2021
Income from non-current securities and non-current loans	1.9	13.1
Other interest and similar income	20.0	8.4
	21.9	**21.5**

The increase in income from other non-current securities and non-current loans mainly arises from first-time inclusion of Deutsche Wohnen in Vonovia's consolidated financial statements and relates to income from loans to the QUARTERBACK Immobilien Group. In the previous year, other interest and similar income included income from a bond issue above par in the amount of € 11.9 million.

20 Interest Expenses

The interest expenses mainly relate to interest expense on financial liabilities measured at amortized cost.

in € million	2020	2021
Interest expense from non-derivative financial liabilities	374.0	409.5
Swaps (current interest expense for the period)	16.8	20.6
Effects from the valuation of non-derivative financial instruments	-48.6	-43.3
Effects from the valuation of swaps	42.4	-20.4
Prepayment penalties and commitment interest	6.2	22.7
Interest accretion to provisions	6.2	10.2
Interest from leases	16.1	15.8
Other financial expenses	-1.7	-3.5
	411.4	**411.6**

The prepayment penalties include the fees for the unscheduled repayment of loans during the fixed interest period; in the reporting year, this applied in particular to the sale of unencumbered portfolios to the State of Berlin (Berlin Deal).

A reconciliation of net interest to net interest to be classified in accordance with IFRS 9 is shown in the following table:

in € million	2020	2021
Interest income	21.9	21.5
Interest expense	-411.4	-411.6
Net interest	**-389.5**	**-390.1**
Less:		
Net interest from provisions for pensions in acc. with IAS 19	5.6	4.5
Net interest from other provisions in acc. with IAS 37	0.6	5.3
Net interest from leases	16.1	15.8
Net interest to be classified	**-367.2**	**-364.5**

The net interest classified pursuant to IFRS 9 is as follows:

in € million	2020	2021
Financial assets measured at (amortized) cost	21.8	21.1
Derivatives measured at FV through P&L	-59.2	-0.2
Financial liabilities measured at (amortized) cost	-329.8	-385.4
Classification of net interest	**-367.2**	**-364.5**

21 Other Financial Result

in € million	2020	2021
Result from currency translation	4.8	-
Income from other investments	13.4	27.7
Transaction costs	-18.9	-119.2
Purchase price liabilities from put options/rights to reimbursement	-31.4	-40.6
Miscellaneous other financial result	-0.5	-5.0
	-32.6	**-137.1**

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 € 10.5 million (2020: € 9.3 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 € 15.7 million (2020: € 2.4 million).

The transaction costs mainly relate to expenses in connection with the voluntary public takeover offers to the shareholders of Deutsche Wohnen SE, Berlin.

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 offset by deferred tax liabilities that can be netted against it or 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 2020, the combined tax rate of corporate income tax and trade tax of 33.1% was used to calculate domestic deferred taxes for 2021. 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	2020	2021
Current income tax	57.7	102.1
Prior-year current income tax	-14.6	19.2
Deferred tax – temporary differences	1,607.5	2,523.6
Deferred tax – unutilized loss carryforwards	23.8	6.6
	1,674.4	**2,651.5**

The current tax expense is determined on the basis of the taxable income for the fiscal year. For the 2021 fiscal year, the combined tax rate of corporate income tax and solidarity surcharge for domestic companies is 15.8% (2020: 15.8%). Including trade tax at a rate of about 17.3% (2020: 17.3%), the combined domestic tax rate in 2021 is 33.1% (2020: 33.1%). The corporate income tax rate for the companies based in Austria is 25.0% (2020: 25.0%) while the rate for companies based in Sweden is 20.6% (2020: 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 (2020: € 2.8 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.

For deductible temporary differences (excl. loss carryforwards) in the amount of € 44.4 million (Dec. 31, 2020: € 20.6 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, 2021, there were domestic corporate income tax loss carryforwards amounting to € 4,756.3 million (Dec. 31, 2020: € 3,961.3 million) as well as trade tax loss carryforwards amounting to € 2,992.0 million (Dec. 31, 2020: € 2,171.5 million), for which deferred tax assets have been recognized to the extent that their realization is sufficiently probable. As of December 31, 2021, there were corporate income tax loss carryforwards abroad amounting to € 536.0 million (Dec. 31, 2020: € 676.2 million) as well as trade tax loss carryforwards amounting to € 17.5 million (2020: € 16.4 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.

No deferred taxes were recognized in the balance sheet for domestic and foreign corporate income tax loss carryforwards amounting to € 1,339.4 million (Dec. 31, 2020: € 870.2 million). Of this amount, € 9.0 million (2020: € 25.5 million) arose for the first time in the 2021 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 € 1.5 million (2020: € 4.3 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 € 606.0 million in total (Dec. 31, 2020: € 562.1 million). These did not give rise to any deferred tax assets. Of this amount, € 9.8 million arose for the first time in the 2021 fiscal year (2020: € 11.5 million) and the resulting tax effect is € 1.5 million (2020: € 1.8 million).

The remeasurement of deferred tax assets on temporary differences and loss carryforwards from the previous year led to tax expense amounting to € 82.5 million in the 2021 fiscal year (2020: € 6.3 million). This increase is mainly due to the remeasurement of the tax loss carryforward of two companies that were included in a tax group for income tax purposes.

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 € 1,325.6 million (Dec. 31, 2020: € 1,059.4 million). Of this amount, € 259.3 million (2020: € 171.6 million) arose for the first time in the 2021 fiscal year. The fact that no deferred tax assets were recognized on the new interest carryforward generated a tax effect of € 83.3 million in Germany (2020: € 55.5 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 € 119.3 million in Sweden either (2020: € 102.0 million). Of this amount, € 22.1 million (2020: € 57.8 million) arose for the first time in the 2021 fiscal year. The fact that no deferred taxes were recognized generated a tax effect of € 4.5 million in Sweden (2020: € 11.9 million).

A reconciliation between disclosed effective 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	2020	2021
Earnings before tax	**5,014.4**	**5,482.4**
Income tax rate in %	33.1	33.1
Expected tax expense	**1,659.8**	**1,814.7**
Trade tax effects	-57.4	-215.6
Non-deductible operating expenses	58.8	70.2
Tax-free income	-35.4	-59.5
Change in the deferred tax assets on loss carryforwards and temporary differences	6.3	82.5
New loss and interest carryforwards not recognized	73.5	90.8
Prior-year income tax and taxes on guaranteed dividends	19.8	-78.5
Tax effect from goodwill impairment	–	1,120.1
Differing foreign tax rates	-40.7	-186.3
Other tax effects (net)	-10.3	13.1
Effective income taxes	**1,674.4**	**2,651.5**
Effective income tax rate in %	**33.4**	**48.4**

The deferred taxes refer to temporary differences in balance sheet items and unutilized loss carryforwards as follows:

in € million	Dec. 31, 2020	Dec. 31, 2021
Intangible assets	–	6.8
Investment properties	12.1	37.0
Property, plant and equipment	37.3	41.3
Financial assets	3.2	6.8
Other assets	158.5	271.0
Provisions for pensions	104.4	118.9
Other provisions	22.5	44.5
Liabilities	120.1	293.3
Loss carryforwards	905.9	1,119.5
Deferred tax assets	**1,364.0**	**1,939.1**

in € million	Dec. 31, 2020	Dec. 31, 2021
Intangible assets	20.2	61.1
Investment properties	11,959.8	20,090.2
Assets held for sale	38.7	71.6
Property, plant and equipment	9.2	49.3
Financial assets	26.4	13.2
Other assets	153.5	229.5
Provisions for pensions	–	0.5
Other provisions	78.5	79.0
Liabilities	20.9	18.8
Deferred tax liabilities	**12,307.2**	**20,613.2**
Excess deferred tax liabilities	**10,943.2**	**18,674.1**

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, 2020	Dec. 31, 2021
Deferred tax assets	16.4	19.8
Deferred tax liabilities	10,959.6	18,693.9
Excess deferred tax liabilities	**10,943.2**	**18,674.1**

The increase in deferred tax liabilities can be attributed primarily to investment properties.

The change in deferred taxes is as follows:

in € million	2020	2021
Excess deferred tax liabilities as of Jan. 1	9,228.9	10,943.2
Deferred tax expense in income statement	1,631.3	2,530.2
Deferred tax due to first-time consolidation and deconsolidation	43.4	5,411.7
Change in deferred taxes recognized in other comprehensive income due to equity instruments measured at fair value	0.2	0.4
Change in deferred taxes recognized in other comprehensive income on actuarial gains and losses from pensions and similar obligations	-5.8	12.7
Change in deferred taxes recognized in other comprehensive income on derivative financial instruments	4.7	5.1
Deferred taxes recognized in equity on accrued capital procurement costs resulting from the issuance of a hybrid bond with an indefinite term	-0.3	0.5
Deferred taxes recognized in the capital reserve on capital procurement costs of capital increases	-2.9	-44.1
Currency translation differences	48.5	-28.5
Disposal group share deal Berlin		-157.5
Other	-4.8	0.4
Excess deferred tax liabilities as of Dec. 31	**10,943.2**	**18,674.1**

No deferred tax liabilities are recognized for profits accumulated at subsidiaries of € 55,312.7 million (Dec. 31, 2020: € 31,244.0 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 five segments **Rental, Value-add, Recurring Sales, Development** and **Deutsche Wohnen**. 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.

The **Deutsche Wohnen** segment encompasses all activities of the Deutsche Wohnen Group (excluding effects from non-core sales; these are assigned to the "Other" column of the segment report). 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. The Deutsche Wohnen Group uses these business areas to offer property-related services, such as energy-efficiency property management, the multimedia business and technical facility management, via subsidiaries or strategic shareholdings.

Due to the short time between the acquisition and the preparation period and the fact that activities within the Deutsche Wohnen Group have not yet been subdivided, the activities described are presented collectively in the financial statements as of December 31, 2021 – matching the consolidated presentation within the management report. Presentation in individual segments will take place once the activities have been subdivided and this subdivision has been included in management reporting.

Planning and controlling systems ensure 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	Deutsche Wohnen	Segments total	Other*	Consolida-tion*	Group
Jan. 1–Dec. 31, 2021									
Segment revenue	**2,361.6**	**1,165.8**	**477.0**	**867.8**	**307.7**	**5,179.9**	**1,538.2**	**-1,452.4**	**5,265.7**
thereof external revenue	2,361.6	58.6	477.0	505.5	302.2	3,704.9	1,538.2	22.6	5,265.7
thereof internal revenue		1,107.2		362.3	5.5	1,475.0	–	-1,475.0	
Carrying amount of assets sold			-410.1		-0.2	-410.3	-634.1		
Revaluation from disposal of assets held for sale			66.4			66.4	14.9		
Expenses for maintenance	-332.7				-41.7	-374.4			
Cost of development to sell				-367.2	-14.5	-381.7			
Cost of development to hold**				-277.4		-277.4		277.4	
Operating expenses***	-380.9	-1,017.0	-19.3	-35.5	-80.5	-1,533.2	-10.4	1,036.3	
Ancillary costs							-898.1		
Adjusted EBITDA Total	**1,648.0**	**148.8**	**114.0**	**187.7**	**170.8**	**2,269.3**	**10.5**	**-138.7**	**2,141.1**
Non-recurring items									-37.1
Period adjustments from assets held for sale									6.0
Income from investments in other real estate companies									15.7
Net income from fair value adjustments of investment properties									7,393.8
Depreciation and amortization									-3,482.2
Income from other investments									-27.7
Interest income									21.5
Interest expenses									-411.6
Other financial result									-137.1
EBT									**5,482.4**
Income taxes									**-2,651.5**
Profit for the period									**2,830.9**

* The revenue for the Rental, Value-add, Recurring Sales, Development and Deutsche Wohnen 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 (12M 2020: € 0.8 million).

*** Operating costs in the "Other" column incl. € 0.8 million equity result for Deutsche Wohnen.

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	-6.0	992.0	
Ancillary costs						-780.5		
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
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, Development and Deutsche Wohnen 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.

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, Development and Deutsche Wohnen. 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, research and development, and expenses for refinancing and equity increases (where not treated as capital procurement costs).

The non-recurring influences eliminated **in the Adjusted EBITDA Total** are broken down as follows. In fiscal year 2021, costs for transactions were offset by income resulting from the valuation of shares in Deutsche Wohnen amounting to € 87.5 million.

in € million	2020	2021
Transactions*	24.0	14.1
Personnel matters	27.5	1.6
Business model optimization	13.9	24.2
Research & development	–	3.6
Refinancing and equity measures	-3.9	-6.4
Total non-recurring items	**61.5**	**37.1**

* 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	Deutsche Wohnen	Other	Consolida-tion	Total
Jan. 1–Dec. 31, 2021								
Revenue from ancillary costs (IFRS 15)	–	–	–	–	–	749.5	–	749.5
Income from the disposal of investment properties	–	–	213.5	–	0.2	25.5	–	239.2
Income from the disposal of real estate inventories (Development)	–	–	–	503.7	15.9	–	–	519.6
Other revenue from contracts with customers	–	57.2	–	–	79.0	–	22.6	158.8
Revenue from contracts with customers	**–**	**57.2**	**213.5**	**503.7**	**95.1**	**775.0**	**22.6**	**1,667.1**
thereof period-related	–	–	–	418.2		1.9	–	420.1
thereof time-related	–	57.2	213.5	85.5	95.1	773.1	22.6	1,247.0
Revenue from rental income (IFRS 16)	2,361.6	1.4	–	1.8	207.1	–	–	2,571.9
Revenue from ancillary costs (IFRS 16)*	–	–	–	–	–	143.7	–	143.7
Income from sale of assets held for sale (IFRS 5)	–	–	263.5	–	–	619.5	–	883.0
Other revenue	**2,361.6**	**1.4**	**263.5**	**1.8**	**207.1**	**763.2**	**–**	**3,598.6**
Revenues	**2,361.6**	**58.6**	**477.0**	**505.5**	**302.2**	**1,538.2**	**22.6**	**5,265.7**
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 the 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	27.5	1,148.0
Revenue 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**

* 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, 2020	Jan. 1– Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021
Germany	3,299.0	4,347.2	49,902.9	87,506.6
Austria	393.4	555.1	3,189.9	3,382.7
Sweden	338.7	362.3	7,294.5	7,588.9
France	0.0	0.0	110.7	109.7
Other countries	0.0	1.2	117.5	387.9
Total	**4,031.1**	**5,265.8**	**60,615.5**	**98,975.8**

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.

	2020	2021
Profit for the period attributable to Vonovia shareholders (in € million)	3,228.5	2,641.9
Weighted average number of shares*	587,143,419	626,466,541
Earnings per share (basic and diluted) in €	**5.50**	**4.22**

* The number of average outstanding shares was adjusted for all periods in order to take account of the effect of the bonus element for subscription rights issued in December 2021 as part of the capital increase.

The capital increase implemented in December 2021 also involved the issue of subscription rights for existing shareholders. Since the subscription price for the new shares was lower than the market price of the existing shares, the capital increase includes a bonus element. According to IAS 33, the bonus element is the result of an implicit change in the number of shares outstanding for all periods prior to the capital increase without a fully proportionate change in resources. As a consequence, the average number of shares outstanding has been adjusted retroactively for prior-year disclosures accordingly.

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 2021 fiscal year of € 1,325,000,000.00, an amount of € 1,289,151,665.74 on the 776,597,389 shares of the share capital as of December 31, 2021 (corresponding to € 1.66 per share) be paid as a dividend to the shareholders, and that the remaining amount of € 35,848,334.26 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, 2021.

As in the 2018, 2019 and 2020 fiscal years, the dividend for the 2021 fiscal year, payable after the Annual General Meeting in April 2022, 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, 2021	107.7	7.1	13.8	66.6	4,616.8	4,812.0
Additions due to business combinations	26.2	0.4	45.6	86.0	4,666.3	4,824.5
Additions	11.9	1.1	–	–	–	13.0
Disposals	-3.2	-0.4	-1.9	–	–	-5.5
Changes in value from currency translation	–	–	–	–	-19.0	-19.0
Transfers	1.0	-0.1	–	–	–	0.9
As of Dec. 31, 2021	143.6	8.1	57.5	152.6	9,264.1	9,625.9
Accumulated amortization						–
As of Jan. 1, 2021	66.3	4.7	7.2	–	3,122.1	3,200.3
Additions due to business combinations	19.6	–	8.5	–	–	28.1
Amortization in reporting year	15.4	1.3	4.2	–	–	20.9
Impairment	–	–	–	–	3,384.1	3,384.1
Disposals	-2.9	–	-1.9	–	–	-4.8
Changes in value from currency translation	–	–	–	–	-8.6	-8.6
Transfers	0.6	–	–	–	–	0.6
As of Dec. 31, 2021	99.0	6.0	18.0	–	6,497.6	6,620.6
Carrying amounts						
As of Dec. 31, 2021	44.6	2.1	39.5	152.6	2,766.5	3,005.3
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
Additions	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

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 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 names "Pflegen & Wohnen Hamburg" and "Katharinenhof" were identified as material assets with indefinite useful lives in the context of the purchase price allocation for the Deutsche Wohnen Group and were recognized at a total value of € 86.0 million. In addition, customer relationships for these activities were identified and recognized as assets with definite useful lives of between five and six years in the amount of € 37.1 million. The "BUWOG" brand name, which was acquired in the previous year, is still recognized with a value of € 66.6 million for the development business. There were no signs of impairment losses for any of the brand names or customer relationships.

Goodwill

Accounting Policies

Goodwill results from a business combination and is defined as the amount by which the total consideration 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 CGUs. A CGU 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 Business 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 acquisition of Deutsche Wohnen SE has resulted in the addition of a new CGU in the nursing and assisted living sector. Part of the goodwill resulting from the acquisition of Deutsche Wohnen SE has been provisionally allocated to this segment for the purposes of impairment testing.

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, and the nursing and assisted living sector.

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, value in use or zero 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	North area	East area	West area	South area	Central area	Sweden Business Area	Value-add segment	Development segment	Nursing and assisted living sector	not allocated	Group
	Rental segment										
Goodwill as of Dec. 31, 2021	73.7	0.0	84.0	0.0	0.0	885.9	278.5	138.2	0.0	34.4	1,494.7
Additions due to business combinations*	588.3	1,462.0	754.9	571.1	22.7		1,232.1		35.2		4,666.3
Allocation	34.4									-34.4	0.0
Impairment	-391.5	-1,462.0	-84.0	-571.1		-875.5					-3,384.1
Currency translation differences						-10.4					-10.4
Goodwill as of Dec. 31, 2021	304.9	0.0	754.9	0.0	22.7	0.0	1,510.6	138.2	35.2	0.0	2,766.5
WACC before tax Dec. 31, 2021 in %	4.0	4.1	4.0	4.0	3.9	3.9	4.1	6.3	4.3	–	–
WACC before tax Dec. 31, 2020 in %	3.8	–	3.8	–	–	3.6	3.9	6.0	–	–	–
Sustainable rate of increase 2021 in %	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	–	–
Sustainable rate of increase 2020 in %	1.0	–	0.9	–	–	1.0	1.0	1.0	–	–	–

* Goodwill still not allocated, preliminary allocation for goodwill impairment test purposes.

Goodwill came to € 2,766.5 million as of December 31, 2021. This means that goodwill has risen by € 1,271.8 million compared with December 31, 2020. The change is due to additions of € 4,666.3 million resulting from the acquisition of Deutsche Wohnen SE, impairment losses of € 3,384.1 million and negative exchange rate effects of € 10.4 million.

Part of the impairment loss is the result of the ad hoc impairment test performed as of June 30, 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 in the second quarter.

The goodwill of the North (€ 108.1 million) and West (€ 84.0 million) business areas of € 192.1 million was impaired as a result of the impairment test as of June 30, 2021. There was no impairment of the Sweden business area.

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.

The regular annual impairment test was performed in the fourth quarter. Other material increases in the value of the real estate portfolio in the second half of 2021 also triggered an ad hoc impairment test. For the purposes of this process, the new goodwill of € 4,666.3 million resulting from the acquisition of Deutsche Wohnen was provisionally allocated to Vonovia's corresponding CGUs.

The allocation of goodwill to the business areas of the Rental segment, the Value-add segment and the the nursing and assisted living sector were 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."

All in all, the impairment tests in the fouth quarter resulted in a further goodwill impairment of € 3,192.0 million.

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, another normalized 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 limited to 1% for the CGU Germany. 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 2.5% every year as well as the planned vacancy rate of 2.5% at the end of the detailed planning period. The growth rate for the CGU Sweden was also set at 1%. The average gross rent increase within the five-year plan comes to 3.1%, based on an assumed vacancy rate of 2% 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 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 completed and the sales margin that can be generated.

The nursing and assisted living sector comprises the rental of senior citizens' and care facilities, as well as services for elderly people as part of the assisted living concept.

The cash flows from the last detailed planning year were derived to calculate the perpetual annuity.

A constant growth rate of 1.0% was assumed for the Value-add, Development and nursing and assisted living CGUs.

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	Nursing and assisted living sector
Dec. 31, 2021					
Risk-free interest rate in %	0.08	0.08	0.08	0.08	0.08
Market risk premium in %	7.75	7.75	7.75	7.75	7.75
Levered beta	0.67	0.70	0.68	0.91	0.79
Country-specific premium in %	–	–	–	0.08	–
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	–

The identified impairment as of December 31, 2021 relates to the North, East, South and Sweden business areas, with the goodwill allocated in each case being completely written off, except for the North business area.

The impairment loss was recognized in the consolidated income statement under depreciation and amortization. The value in use for the East area amounted to € 22.3 billion, with a value of € 9.2 billion for the North business area,

€ 11.3 billion for the South business area and € 6.4 billion for the Sweden business area.

An increase in the cost of capital would result in the following need for impairment:

	Rental segment					
	North area	West area	Central area	Value-add segment	Development segment	Nursing and assisted living sector
2021 goodwill in € million	304.9	754.9	22.7	1,510.6	138.2	35.2
Impairment starts with an increase of the WACC in percentage points	0.01	0.09	0.51	2.98	1.96	0.68
Full write-off in the event of an increase in the WACC in %	0.09	0.27	0.75	16.70	2.61	1.01
2020 goodwill in € million	73.7	84.0	–	278.5	138.2	–
Impairment starts with an increase of the WACC in percentage points	0.05	0.17	–	9.70	3.40	–
Full write-off in the event of an increase in the WACC in %	0.06	0.18	–	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 € 304.9 million being recognized against the goodwill remaining in the North business area. In the West area, an impairment loss of € 670.4 million would be recognized if the sustainable rate of increase were to decline by 0.25 percentage points. A 0.28 percentage point drop in the sustainable rate of increase in West would result in a complete impairment. The estimated recoverable amount for the West business area exceeds its carrying amount by € 0.5 billion.

In the Central business area as well as in the Value-add and Development segments and the nursing and assisted living sector, a 0.25 percentage point drop in the sustainable rate of increase would not result in any goodwill impairment.

In the previous year, if the planned sustainable rate of increase had declined by 0.25 percentage points, this would have resulted in a full impairment loss of € 73.7 million being recognized against the goodwill in the North business area. In the West area, a full impairment loss of € 84.0 million would have been recognized if the sustainable rate of increase had declined by 0.25 percentage points. The estimated recoverable amount for the North business area exceeded its carrying amount by € 184.8 million and that of the West business area by € 810.3 million.

In the Value-add and Development segments, a 0.25 percentage point drop in the sustainable rate of increase in the previous year would not have resulted 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, 2021	201.3	65.2	284.2	550.7
Additions due to business combinations	64.6	9.8	251.7	326.1
Additions	3.1	13.9	105.6	122.6
Capitalized modernization costs	2.3	0.4	0.1	2.8
Disposals	-0.4	-5.5	-52.8	-58.7
Transfer from investment properties	12.6	–	–	12.6
Transfer to investment properties	-11.6	–	–	-11.6
Transfer to assets held for sale	-0.7	–	1.6	0.9
Other transfers	2.1	-0.2	0.7	2.6
Revaluation from currency effects	–	0.1	-0.2	-0.1
As of Dec. 31, 2021	273.3	83.7	590.9	947.9
Accumulated depreciation				
As of Jan. 1, 2021	10.0	37.0	116.1	163.1
Additions due to business combinations	7.6	–	97.7	105.3
Depreciation in reporting year	3.8	8.7	64.0	76.5
Impairment	0.5	–	–	0.5
Reversal of impairments	-0.4	–	–	-0.4
Disposals	-0.4	-5.4	-48.6	-54.4
Transfer to assets held for sale	-0.1	–	1.8	1.7
Other transfers	0.9	-0.8	1.4	1.5
Revaluation from currency effects	–	0.0	0.0	–
As of Dec. 31, 2021	21.9	39.5	232.4	293.8
Carrying amounts				
As of Dec. 31, 2021	251.4	44.2	358.5	654.1
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

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. In accordance with IAS 36 "Impairment of Assets," the need for impairment is tested whenever there are signs or changed circumstances indicative of an impairment.

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, 2021 the item "Owner-occupied properties" includes € 151.8 million (Dec. 31, 2020: € 107.9 million), which mainly enclose amortized production costs for the construction of the new Vonovia headquarters in Bochum, the BUWOG headquarters in Vienna, Austria, and the Deutsche Wohnen headquarters in Berlin.

Carrying amounts of owner-occupied properties amounting to € 79.9 million as of December 31, 2021 (Dec. 31, 2020: € 36.3 million) are encumbered with land charges in favor of various lenders.

28 Investment Properties

in € million	
As of Jan. 1, 2021	**58,071.8**
Additions due to business combinations	28,181.7
Additions	792.3
Capitalized modernization costs	1,124.2
Grants received	-2.7
Transfer to property, plant and equipment	-12.6
Transfer from property, plant and equipment	11.6
Transfer from real estate inventories	20.0
Transfer to real estate inventories	-27.4
Transfer to assets held for sale	-1,221.6
Other transfers	-0.5
Disposals	-167.7
Net income from fair value adjustments of investment properties	7,393.8
Revaluation of assets held for sale	87.4
Revaluation from currency effects	-150.2
As of Dec. 31, 2021*	**94,100.1**
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 Dec. 31, 2021 include assets of € 1,270.2 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.

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 additions in 2021 include € 526.6 million (2020: € 435.5 million) in production costs for new construction activities.

The total amount reported for investment properties as of December 31, 2021 includes right-of-use assets from recognized hereditary building rights (including right-of-use assets arising from leased and sublet care homes since first-time consolidation of Deutsche Wohnen as of September 30, 2021) in the amount of € 1,689.1 million (2020: € 1,433.2 million). In this respect, we also refer to chapter [E43] Leases.

The majority of € 1,685.3 million is attributable to right-of-use assets from hereditary building rights (2020: € 1,431.9 million). This includes right-of-use assets of € 80.9 million (2020: € 76.3 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.

For the investment properties encumbered with land charges in favor of various lenders, see chapter [E41] Non-derivative Financial Liabilities.

Directly Attributable Operating Expenses

Rental income from investment properties amounted to € 2,571.9 million during the fiscal year (2020: € 2,288.5 million). Operating expenses directly relating to these properties amounted to € 317.6 million during the fiscal year (2020: € 260.4 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, 2020	Dec. 31, 2021
Total minimum lease payments	**89.5**	**85.2**
Due within 1 year	25.7	27.0
Due in 1 to 5 years	53.8	49.2
Due after 5 years	10.0	9.0

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 ten 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, the Federal Statistical Office of Germany, 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 derived market value is therefore the result of this net present value and includes 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 that are to be managed within Vonovia's own portfolio are measured using the cost approach until the construction work is complete. Following completion of construction work, they are measured at fair value using the DCF procedure described above. 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.

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.

Vonovia determined the fair values of its real estate portfolio in Germany and Austria as of December 31, 2021 in its in-house valuation department on the basis of the methodology described above. Vonovia's real estate portfolio, excluding Deutsche Wohnen, was also valued by the independent appraiser CBRE GmbH. The market value resulting from the external report deviates from the internal valuation result by 0.1%.

The Deutsche Wohnen real estate portfolio was also valued by the independent appraiser Jones Lang LaSalle SE. The market value resulting from this external report deviates from the internal valuation result by 0.6%.

For the portfolio in Sweden, the result of the external appraiser Savills Sweden 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.

Deutsche Wohnen's project developments were measured by Jones Lang LaSalle SE using the residual value method as of the cut-off date of September 30, 2021. These values were, as part of what was still the provisional purchase price allocation, reviewed and adopted and were updated to reflect the current reporting date.

For the care facility portfolio of Deutsche Wohnen as of the reporting date December 31, 2021 the result of the external appraiser W&P Immobilienberatung GmbH was applied.

The contractually fixed remuneration for the valuation report is not linked to the valuation results.

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 hereditary building rights granted was € 97,845.3 million as of December 31, 2021 (Dec. 31, 2020: € 58,910.7 million). This corresponds to a net initial yield for the developed land of Vonovia, excluding Deutsche Wohnen, of 2.6% (total portfolio including Sweden and Austria; Dec. 31, 2020: 2.9%). For Germany, this results in an in-place-rent multiplier of 28.0 for the Vonovia portfolio excluding Deutsche Wohnen (Dec. 31, 2020: 25.4) and a fair value per m² of € 2,401 (Dec. 31, 2020: € 2,099). The in-place-rent multiplier and fair value for the Austrian portfolio come to 26.5 and € 1,674 per m² (Dec. 31, 2020: 25.5 and € 1,570 per m²), while the values for Sweden come to 20.6 and € 2,475 per m² (Dec. 31, 2020: 17.4 and € 2,090 per m²).

For the developed land in the subportfolio of Deutsche Wohnen real estate, the net initial yield stands at 2.1%, which represents a fair value of € 2,894 per m² and an in-place rent multiplier of 33.5.

The Act on Rent Controls in the Housing Sector in Berlin passed by the Berlin House of Representatives was declared unconstitutional and, as a result, null and void by the German Federal Constitutional Court on April 15, 2021. The development then observed in Berlin in the period leading up to December 31, 2021 has been included in the year-end valuation for 2021.

The material valuation parameters for the investment properties (Level 3) in the real estate portfolio are as follows as of December 31, 2021 broken down by regional markets/ shown separately for the portfolio of Deutsche Wohnen:

	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, 2021				
Berlin	8,964.6	817.4	6.4	8,140.8
Rhine Main area	5,605.9	17.6	10.2	5,578.1
Southern Ruhr area	5,267.0	9.7	9.5	5,247.9
Rhineland	4,963.1	152.3	5.7	4,805.1
Dresden	4,656.1	0.4	7.6	4,648.1
Hamburg	3,611.8	3.3	4.5	3,604.1
Kiel	3,005.5	1.5	5.1	2,998.8
Munich	2,742.7	7.9	6.3	2,728.5
Stuttgart	2,551.9	3.2	2.1	2,546.6
Hanover	2,392.3	3.1	2.6	2,386.6
Northern Ruhr area	2,179.9	8.1	7.0	2,164.8
Bremen	1,484.2	0.5	2.5	1,481.3
Leipzig	1,229.6	8.9	1.4	1,219.3
Westphalia	1,173.3	0.9	2.0	1,170.4
Freiburg	788.7	0.9	1.5	786.3
Other strategic locations	3,611.2	3.5	6.1	3,601.6
Total strategic locations	**54,227.8**	**1,039.2**	**80.5**	**53,108.3**
Non-strategic locations	236.6	16.4	–	220.2
Vonovia Germany	**54,464.5**	**1,055.7**	**80.5**	**53,328.3**
Vonovia Sweden**	7,386.0	–	–	7,386.0
Vonovia Austria**	2,932.5	9.7	50.0	2,872.8
Deutsche Wohnen	27,628.7	1,633.3	–	25,995.4

* Fair value of the developed land excl. € 5,433.6 million for development, undeveloped land, inheritable building rights granted and other; € 4,141.1 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 € 376.5 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
265	14.12	8.08	1.8%	1.0%	4.1%	2.3%
286	14.03	9.67	1.8%	1.1%	4.3%	2.6%
279	12.78	7.27	1.5%	2.6%	4.3%	3.0%
283	13.73	8.52	1.6%	1.8%	4.5%	2.9%
251	14.03	6.74	1.6%	2.4%	4.4%	2.9%
271	14.49	8.78	1.6%	1.3%	4.1%	2.7%
273	14.93	7.75	1.6%	1.6%	4.5%	3.0%
275	14.14	12.03	1.9%	0.6%	4.4%	2.6%
286	14.73	9.50	1.8%	1.2%	4.5%	2.9%
273	14.06	7.77	1.6%	2.0%	4.3%	2.9%
281	13.29	6.56	1.1%	3.3%	4.6%	3.7%
278	13.32	7.21	1.6%	2.1%	4.4%	3.0%
265	14.93	6.88	1.6%	2.7%	4.3%	2.9%
277	13.32	7.48	1.5%	2.0%	4.6%	3.3%
282	15.45	8.84	1.6%	0.9%	4.2%	2.7%
282	14.26	7.89	1.5%	2.3%	4.6%	3.2%
274	**13.94**	**8.00**	**1.6%**	**1.9%**	**4.4%**	**2.8%**
314	15.05	7.67	1.5%	2.8%	4.6%	3.2%
274	**13.95**	**7.99**	**1.6%**	**1.9%**	**4.4%**	**2.8%**
n. a.	n. a.	10.59	2.0%	0.8%	5.3%	3.2%
n. a.	19.72	5.80	1.7%	2.4%	5.2%	n. a.
299	13.49	9.31	1.3%	1.4%	4.0%	2.8%

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, 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
Southern Ruhr area	4,483.3	28.3	8.6	4,446.5
Rhineland	4,213.1	20.0	7.0	4,186.1
Dresden	4,044.5	6.4	6.5	4,031.6
Hamburg	3,087.2	6.7	3.8	3,076.7
Kiel	2,535.7	1.4	3.4	2,531.0
Munich	2,496.3	5.1	4.4	2,486.8
Stuttgart	2,319.9	6.4	2.1	2,311.4
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	–	–	6,219.4
Vonovia Austria**	2,832.2	17.5	50.2	2,764.5

* Fair value of the developed land excluding € 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.

The inflation rate applied to the valuation procedure comes to 1.6% (including Sweden). For the Austrian portfolio, a sales strategy with an average selling price of € 2,282 per m² was assumed for 52.0 % of the portfolio. The inflation rate applied to the valuation of the subportfolio of Deutsche Wohnen real estate comes to 1.5%.

Net income from the valuation of investment properties amounted to € 7,393.8 million in the 2021 fiscal year (Dec. 31, 2020: € 3,719.8 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 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 com-

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%
276	12.69	7.00	1.5%	2.6%	4.8%	3.5%
280	13.71	8.22	1.7%	1.9%	4.9%	3.3%
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%
268	14.67	7.42	1.7%	1.7%	4.9%	3.4%
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%
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.

pensated 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.

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 as a % 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, 2021			
Berlin	0.5/-0.5	1.6/-1.6	5.5/-5.5
Rhine Main area	0.4/-0.4	1.3/-1.3	3.5/-3.6
Southern Ruhr area	0.7/-0.7	2.0/-2.0	5.1/-5.1
Rhineland	0.5/-0.5	1.6/-1.6	4.0/-4.1
Dresden	0.7/-0.7	2.1/-2.1	5.4/-5.4
Hamburg	0.5/-0.5	1.7/-1.7	4.5/-4.6
Kiel	0.7/-0.7	2.0/-2.0	4.8/-4.9
Munich	0.3/-0.3	1.1/-1.1	3.4/-3.5
Stuttgart	0.5/-0.5	1.4/-1.4	3.4/-3.6
Hanover	0.6/-0.6	1.9/-1.9	4.7/-4.7
Northern Ruhr area	1.0/-1.0	2.7/-2.7	5.3/-5.3
Bremen	0.7/-0.7	2.0/-2.0	5.4/-5.4
Leipzig	0.7/-0.7	2.3/-2.3	5.8/-5.8
Westphalia	0.7/-0.7	2.0/-2.0	4.6/-4.7
Freiburg	0.5/-0.5	1.7/-1.7	4.1/-4.3
Other strategic locations	0.6/-0.6	1.9/-1.9	4.2/-4.3
Total strategic locations	**0.6/-0.6**	**1.8/-1.8**	**4.6/-4.7**
Non-strategic locations	0.6/-0.6	2.0/-2.0	4.4/-4.5
Vonovia Germany	**0.6/-0.6**	**1.8/-1.8**	**4.6/-4.7**
Vonovia Sweden*	n. a.	n. a.	1.3/-1.3
Vonovia Austria*	n. a.	0.3/-0.3	0.4/-0.5
Deutsche Wohnen	0.6/-0.6	1.3/-1.3	4.0/-4.0

* 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.

Change in value as a % 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
-2.4/2.4	-10.0/12.4	1.4/-1.7	12.7/-10.2
-2.3/2.3	-8.2/9.7	1.0/-1.5	10.5/-8.6
-2.5/2.5	-8.1/9.5	1.9/-1.8	9.3/-7.8
-2.4/2.3	-7.9/9.2	1.6/-1.7	9.6/-8.1
-2.5/2.5	-8.3/9.8	1.8/-1.8	9.8/-8.2
-2.4/2.3	-8.7/10.5	1.2/-1.6	11.0/-8.9
-2.4/2.4	-7.9/9.3	1.8/-1.8	9.2/-7.8
-2.1/2.1	-8.4/10.1	0.7/-1.4	11.3/-9.3
-2.3/2.3	-7.8/9.0	1.3/-1.6	9.6/-8.1
-2.4/2.4	-8.1/9.5	1.7/-1.7	9.6/-8.1
-2.6/2.6	-7.1/8.1	2.1/-2.1	7.5/-6.5
-2.4/2.4	-8.3/9.8	1.8/-1.8	9.7/-8.1
-2.5/2.5	-8.5/10.1	1.8/-1.8	9.9/-8.3
-2.4/2.3	-7.5/8.8	1.7/-1.8	8.6/-7.3
-2.4/2.3	-8.4/9.9	1.1/-1.6	10.2/-8.5
-2.4/2.4	-7.4/8.7	1.7/-1.7	8.7/-7.4
-2.4/2.4	**-8.3/9.9**	**1.5/-1.7**	**10.2/-8.4**
-2.3/2.3	-7.2/8.4	1.6/-1.7	9.0/-7.6
-2.4/2.4	**-8.3/9.9**	**1.5/-1.7**	**10.2/-8.4**
-3.0/3.0	-1.3/1.3	0.8/-1.3	7.8/-6.8
-0.4/0.4	-1.0/1.1	0.9/-0.9	4.9/-4.4
-1.3/1.3	-7.0/8.2	1.2/-1.6	10.3/-8.5

	Change in value as a % 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, 2021 around 108,000 residential units in Vonovia's portfolio were subject to one or several contractual restrictions or other obligations.

> **Sale restrictions:** As of December 31, 2021 around 67,000 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 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

Change in value as a % 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

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 96,000 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 security of tenure.

> **Expenses for minimum maintenance and restrictions on maintenance and modernization measures:** Due to the expiration of one minimum maintenance obligation and the overfulfillment of another, there are no longer any units subject to a minimum maintenance obligation. Consequently, the annual average maintenance and modernization expenses have been reduced to € 0.00 per m². Around 52,000 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 44,000 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, 2020		Dec. 31, 2021	
in € million	non-current	current	non-current	current
Non-consolidated subsidiaries	1.5	–	2.4	–
Other investments	309.7	–	374.6	–
Loans to other investments	33.3	–	33.2	–
Securities	4.9	–	5.2	–
Other non-current loans	11.3	–	511.8	563.1
Receivables from finance leases	–	–	23.7	–
Other current financial receivables from financial transactions	–	–	–	499.6
Derivatives	22.4	0.4	65.8	0.6
	383.1	**0.4**	**1,016.7**	**1,063.3**

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.

Other investments comprise the Vesteda Residential Fund FGR, Amsterdam, in the amount of € 193.5 million (Dec. 31, 2020: € 160.2 million) and OPPCI JUNO, Paris, in the amount of € 109.7 million (Dec. 31, 2020: € 110.7 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.

The increase in other non-current loans is connected, on the one hand, with the takeover of a Lombard loan in the amount of some € 250 million, which was issued to Aggregate Holdings S.A. by a banking consortium in the period until October 7, 2021 and that is secured by means of 26.6% of shares in the Adler Group.

Vonovia also concluded a call option for 13.3% of the shares in Adler-Group S.A. with a term of eighteen months with Aggregate Holding.

As the two transactions are linked economically and depend on each other, they are considered as a linked transaction in accordance with IFRS.

There was a positive fair value of € 20.2 million for the call option at the time of addition. The fair value of the Lombard loan granted therefore came to € 229.8 million.

In line with the IFRS 9 classification model, subsequent measurement was at fair value through profit and loss for the call option and at amortized cost for the Lombard loan. The conditions required under IFRS 9 for measuring the loan at amortized cost were sufficiently checked and fulfilled by means of the "Business Model Test" and the "SPPI test."

As of December 31, 2021 the subsequent measurement of the call option results in positive net interest from the valuation of € 6.1 million. The positive fair value of this option is recognized under derivatives in the amount of € 26.3 million.

Amortization within net interest of € +3.3 million was applied to the Lombard loan based on the amortized cost approach using the effective interest method. In addition, and in line with IFRS 9.5.5, as of the reporting date the lifetime expected credit losses (ECL) of € 15.9 million were recognized affecting net income within impairment losses on financial assets. The expected credit losses were calculated in accordance with the IFRS 9 general approach. As there was no significant increase in credit risk as of the reporting date, the calculations were performed on the basis of a twelve-month probability of default in line with IFRS 7.35M. Subsequently, the criterion of a significant increase in credit risk pursuant to IFRS 9.5.5.7. will be reviewed on every reporting date. As of the reporting date, the Lombard loan was therefore recognized in the amount of € 217.2 million.

On the other hand the non-current loans include loan receivables from the QUARTERBACK Immobilien Group based on standard market conditions in the amount of € 261.8 million.

The majority of other non-current loans are held with the QUARTERBACK Immobilien Group as the counterparty.

The expected credit losses for the loans granted to the QUARTERBACK Immobilien Group totaling € 806.5 million were calculated based on the general approach under IFRS 9. These credit losses were not recognized in the balance sheet as they are not considered to be material.

The loans generally include a risk concentration. As there was no significant increase in credit risk as of the reporting date, the calculations were performed on the basis of a twelve-month probability of default in accordance with IFRS 7.35M. As a result, these loans are recognized at their face value as of the reporting date.

The receivables from finance leases were added to the Group as part of the acquisition of Deutsche Wohnen. Receivables from the letting of certain broadband cable networks totaled € 23.7 million as of the reporting date, with interest income of € 0.3 million. The debt maturity profile of the receivables is as follows:

in € million	Dec. 31, 2020	Dec. 31, 2021
Nominal value of outstanding lease payments	–	28.2
thereof due within one year	–	–
thereof due between one and two years	–	3.5
thereof due between two and three years	–	3.6
thereof due between three and four years	–	3.0
thereof due between four and five years	–	3.0
thereof due after more than five years	–	15.1
plus unguaranteed residual values	–	0.2
less unrealized financial income	–	-4.7
Present value of outstanding lease payments	**–**	**23.7**

Other non-current financial receivables from financial transactions include time deposits and short-term financial investments in highly liquid money market funds that have an original term of more than three months.

In addition to the call option, non-current derivatives include positive market values from cross currency swaps in the amount of € 35.2 million (Dec. 31, 2020: € 18.4 million), together with positive market values in the amount of € 4.3 million (Dec. 31, 2020: € 4.0 million) from other interest rate derivatives. Due to the high prepayment fees, embedded derivatives from loan termination rights were no longer recognized as of the reporting date. The positive fair value of the previous year in the amount of € 3.6 million was derecognized accordingly in profit or loss.

30 Long-Term Financial Assets Accounted for Using the Equity Method

As of the reporting date, Vonovia held interests in 26 joint ventures and seven associates (previous year: five joint ventures and two associates).

Vonovia holds 40% of the non-listed QUARTERBACK Immobilien AG (QBI) with registered office in Leipzig, which was classed as an associate. Pursuant to its IFRS financial information, the QUARTERBACK Group comprises 133 fully owned subsidiaries and 38 financial investments, accounted for using the equity method, as of December 31, 2021. The operations of QBI and its subsidiaries are focused on the development, realization and marketing of project development properties, as well as in the rental of various existing real estate.

Vonovia also holds interests in eleven non-listed financial investments of QBI, with equity interests of between 44% and 50% (QUARTERBACK property companies), that were classified as joint ventures. The purpose of these property companies and/or holding companies of property companies is real estate project development, either directly or indirectly.

Due to the close proximity of the acquisition date to the time of preparing these financial statements, the purchase price allocation could only be made on a provisional basis as of the reporting date of September 30, 2021.

The table below summarizes the financial information of QBI and the QUARTERBACK property companies as of September 30, 2021 and December 31, 2021. The table also shows a reconciliation of the combined financial statements with the carrying amount of Vonovia's interest in QBI and the combined QUARTERBACK property companies.

in € million	Sept. 30, 2021 QUARTERBACK Immobilien AG	Sept. 30, 2021 QUARTERBACK property companies	Dec. 31, 2021 QUARTERBACK Immobilien AG	Dec. 31, 2021 QUARTERBACK property companies
Non-current assets	705.3	227.4	774.3	234.3
Current assets				
Cash and cash equivalents	108.0	18.5	112.7	15.7
Other current assets	1,090.0	572.3	1,133.6	567.9
Total non-current assets	1,198.0	590.8	1,246.3	583.6
Non-current liabilities				
Financial liabilities (without trade payables)	264.6	87.5	353.7	83.0
Other liabilities	83.1	35.6	416.2	28.9
Total non-current liabilities	347.7	123.1	769.9	111.9
Current liabilities				
Financial liabilities (without trade payables)	112.4	64.4	203.2	75.9
Other liabilities	1,106.4	401.1	705.5	386.3
Total current liabilities	1,218.8	465.5	908.7	462.2
Non-controlling interests	38.0	10.7	40.9	11.9
Net assets (100%)	**298.8**	**218.9**	**301.1**	**231.9**
Group share in %	40%	44% to 50%	40%	44% to 50%
Group share of net assets in EUR	119.5	103.1	120.4	108.8
Group adjustments	1.2	-4.6	-1.6	-4.6
Goodwill	252.3	-	252.3	-
Carrying amount of share in joint venture	**373.0**	**98.5**	**371.0**	**104.2**
Net revenue	-	-	891.6	85.2
Interest income	-	-	4.3	9.1
Depreciation and amortization	-	-	-3.0	-0.2
Interest expenses	-	-	-48.3	-17.1
Income taxes	-	-	-13.7	-1.9
Total gain and comprehensive income for the fiscal year (100%)	**-**	**-**	**16.5**	**7.2**

On the basis of the provisional purchase price allocation as of September 30, 2021 the carrying amount of QUARTERBACK Immobilien AG stands at € 373.0 million, and at € 98.5 million for the QUARTERBACK property companies.

The equity measurement of the investments in the QUARTERBACK Immobilien Group results in a figure of € 3.7 million for the period from October 1, 2021 to December 31, 2021.

Vonovia had business dealings with the QUARTERBACK Immobilien Group in the 2021 fiscal year. These transactions generally resulted from the normal exchange of deliveries and services and all balances were concluded on an arm's-length basis. There were loan receivables of € 806.5 million as of the reporting date. During the fiscal year, an interest rate of 5.5% applied in respect of these loans. Real estate project sales of the QUARTERBACK Immobilien Group to subsidiaries of Vonovia SE totaling € 583.5 million were completed in the 2021 fiscal year as a whole, in respect of which Vonovia made advance payments totaling € 117.5 million. As of December 31, 2021 outstanding balances on receivables were recognized in the amount of € 0.0 million. Furthermore, a guarantee was granted to the QUARTERBACK Immobilien Group in the amount of € 12.3 million in the 2021 fiscal year.

In addition to these investments, Vonovia also holds interests in 21 other entities that, when taken individually, are of minor importance and that are accounted for using the equity method; quoted market prices are not available.

The following table shows, in aggregated form, the carrying amount and the share of profit and other comprehensive income of these companies:

in € million	Dec. 31, 2020	Dec. 31, 2021
Carrying amount of shares in companies accounted for using the equity method	32.9	73.7
Group share of net income from companies not accounted for using the equity method	25% to 50%	10% to 50%
Pro rata total comprehensive income	**2.7**	**12.0**

In connection with the 21 other entities, Vonovia has no significant financial obligations or guarantees in respect of joint ventures and associates.

31 Other Assets

	Dec. 31, 2020		Dec. 31, 2021	
in € million	non-current	current	non-current	current
Right to reimbursement for transferred pensions	4.3	–	3.5	–
Receivables from insurance claims	0.8	17.8	1.0	19.2
Miscellaneous other assets	123.4	101.2	195.1	201.7
	128.5	**119.0**	**199.6**	**220.9**

The right to reimbursement for transferred pensions is in connection with the indirect obligation shown under provisions for pensions arising from pension entitlements 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 pension obligations amounting to € 1.0 million (Dec. 31, 2020: € 0.8 million).

Outside the acquisition, the increase in miscellaneous other assets is due largely to the increase in payments made in advance for residential property in the amount of € 184.5 million (Dec. 31, 2020: € 116.1 million).

32 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 2021 fiscal year results mainly from first-time inclusion of the Deutsche Wohnen Group in the consolidated financial statements of Vonovia SE and from a rise in rebate entitlements on tax prepayments and capital gains tax to be credited both at Vonovia SE and certain domestic subsidiaries as well as the Swedish companies.

33 Inventories

Accounting Policies

Inventories are valued at cost or at their net realizable value, whichever is lower.

The raw materials, consumables and supplies recognized mainly relate to repair materials for the internal craftsmen's organization.

34 Trade Receivables

The trade receivables break down as follows:

in € million	Impaired: Gross amount	Impaired: Impairment losses	Not impaired: Neither impaired nor past due at the end of the reporting period	Not impaired: Overdue in the following time bands as at the reporting date: less than 30 days	between 30 and 90 days	between 91 and 180 days	between 181 and 360 days	more than 360 days	Carrying amount: Corresponds to maximum risk of loss*
Receivables from the sale of investment properties	2.2	-2.2	74.9	2.5	9.9	11.6	1.6	4.1	104.6
Receivables from the sale of real estate properties	0.7	-0.2	9.6	1.7	0.6	1.9	0.7	2.0	17.0
Contract assets			239.0	1.6	1.8	0.7	3.6	0.3	247.0
Receivables from property letting	103.3	-54.7							48.6
Receivables from other management	0.1	-0.1	1.0						1.0
Receivables from other supplies and services	9.2	-3.0	22.2	2.9	0.4				31.7
As of Dec. 31, 2021	**115.5**	**-60.2**	**346.7**	**8.7**	**12.7**	**14.2**	**5.9**	**6.4**	**449.9**
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**

* 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.

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 letting of rental 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, those connected to the product, rent adjustments and payment difficulties.

Impairment losses on trade receivables developed as follows:

in € million	
Impairment losses as of Jan. 1, 2021	55.2
Addition	24.1
Addition due to business combinations	19.5
Utilization	-37.7
Reversal	-0.9
Impairment losses as of Dec. 31, 2021	**60.2**
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**

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 € 12.7 million (Dec. 31, 2020: € 9.6 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 € 14.5 million in total (Dec. 31, 2020: € 10.4 million). The risk provisions for former tenants correspond to 95% of the receivables and amount to € 26.2 million in total (Dec. 31, 2020: € 17.5 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	2020	2021
Expenses for the derecognition of receivables	3.7	5.4
Income from the receipt of derecognized receivables	3.7	2.9

35 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 € 1,134.0 million (Dec. 31, 2020: € 613.3 million), as well as marketable securities amounting to € 298.8 million (Dec. 31, 2020: € - million).

In the amount of € 117.6 million (Dec. 31, 2020: € 159.9 million) of the bank balances are restricted with regard to their use.

36 Real Estate Inventories

Accounting Policies

Buildings in the sales-related development business as well as land and buildings that are held for sale are disclosed within Real Estate Inventories. The **sales-related development business** 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.

The **land and buildings held for sale** are properties that are sold in line with usual business operations, so that this can exceed a period of 12 months. The initial measurement takes place at acquisition or production cost. The acquisition costs include directly attributable acquisition and handling costs, especially acquisition costs for the property as well as incidental acquisition costs.

Recognized real estate inventories in the amount of € 671.2 million (Dec. 31, 2020: € 570.4 million) mainly concern development projects. These are projects to construct residential units planned for sale that are currently being built in the amount of € 347.7 million (Dec. 31, 2020: € 522.6 million) or that have been completed but have not yet been sold in the amount of € 108.2 million (Dec. 31, 2020: € 47.8 million). The item also includes the properties and buildings intended for sale in the ordinary course of business in the amount of € 215.3 million (Dec. 31, 2020: € - million).

37 Assets and Liabilities 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.

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 most of the transfers of ownership to be made in 2022.

As of the reporting date, the value of the property stocks sold (asset deal) stood at € 1,358.9 million.

The property-holding companies sold (share deal) were recognized as a disposal group on the balance sheet. To this end, the property stocks and the remaining assets and liabilities were reclassified as of the reporting date as follows:

in € million	
Investment properties	1,039.1
Trade receivables	0.7
Cash and cash equivalents	11.3
Other assets	6.8
Transfer to assets held for sale	**1,057.9**
Provisions	2.1
Non-derivative financial liabilities	200.5
Deferred tax liabilities	160.8
Other liabilities	2.3
Transfer to liabilities associated with assets classified as held for sale	**365.7**

The assets held for sale also include properties totaling € 302.6 million (Dec. 31, 2020: € 164.9 million) for which notarized purchase contracts had already been signed as of the reporting date.

Section (E): Capital Structure

38 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, 2021	**565,887,299.00**
Capital increase against non-cash contributions on May 17, 2021 (scrip dividend)	9,370,028.00
Capital increase against cash contributions on December 2, 2021	201,340,062.00
As of Dec. 31, 2021	**776,597,389.00**

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
Premium from capital increase on December 2, 2021	7,879,165,876.50
Transaction costs on the issue of new shares (after allowing for deferred taxes)	-93,372,009.30
Withdrawal from capital reserve	-1,826,175,134.25
Other changes not affecting net income	10,481.30
As of Dec. 31, 2021	**15,458,430,362.98**

Cash Capital Increase

On November 21, 2021 the Management Board of Vonovia SE, with the consent of the Supervisory Board, decided to carry out a fully subscribed capital increase with subscription rights for the existing shareholders of Vonovia. The shares were issued in exchange for cash contributions. To this end, the share capital of Vonovia was increased by € 201,340,062.00 from € 575,257,327.00 to € 776,597,389.00, partially using the 2021 authorized capital. This was achieved by issuing 201,340,062 new no-par-value registered shares, each accounting for € 1.00 of the share capital and carrying dividend rights as of January 1, 2021.

During the subscription period, the existing shareholders of Vonovia were offered a total of 201,340,062 new no-par-value registered shares at a subscription price of € 40.00 per new share. By the end of the subscription period on December 7, 2021 subscription rights had been exercised for 198,508,119 new shares, corresponding to a subscription rate of 98.59% of the new shares. The remaining 2,831,943 new shares were issued to institutional investors at € 49.50 per share through a private placement. The increase was entered in the commercial register on December 2, 2021.

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

By way of a resolution of the Annual General Meeting on April 16, 2021 the 2018 authorized capital was canceled. A further resolution at this same Annual General Meeting created new authorized capital in the amount of € 282,943,649.00. On the basis of this resolution, the Management Board is authorized, with the consent of the Supervisory Board, to increase the company's share capital by up to € 282,943,649.00 once or several times on or before April 15, 2026 by issuing up to 282,943,649 new registered no-par-value shares in return for cash contributions and/or contributions in kind (2021 authorized capital). Shareholders shall be granted a subscription right. Shareholder subscription rights can be excluded. As part of the capital increase with subscription rights on December 2, 2021 the authorized capital was utilized in the amount of 201,340,062 shares, meaning that 2021 authorized capital stands at € 81,603,587.00 as of December 31, 2021.

Conditional Capital

By way of a resolution of the Annual General Meeting on April 16, 2021 the 2018 conditional capital was canceled. In order to serve the authorization, passed by the Annual General Meeting of April 16, 2021 to issue convertible bonds, bonds carrying option rights, participating rights, and participating bonds, 2021 conditional capital was created. On the basis of the resolution of this Annual General Meeting, the share capital is conditionally increased by up to € 282,943,649.00 through the issuing of 282,943,649 new no-par-value registered shares carrying dividend rights.

Retained Earnings

As of December 31, 2021 retained earnings amounted to € 16,925.9 million (Dec. 31, 2020: € 13,368.2 million). This figure includes actuarial gains and losses of € -93.4 million (Dec. 31, 2020: € -117.2 million), which cannot be reclassified and therefore may no longer be recognized in profit or loss in subsequent reporting periods.

Other Reserves

Changes in other comprehensive income during the period in the amount of € 0.7 million (2020: € 153.9 million) are mainly the result of currency translation differences due to changes in the exchange rate for the Swedish krona against the euro, as well as the offsetting development of equity instruments at fair value in other comprehensive income and the cash flow hedges.

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 was of unlimited duration and could only be terminated by Vonovia on certain contractually fixed dates or occasions.

The hybrid bond was terminated and repaid as of December 2021.

Pursuant to IAS 32, the hybrid bond was classified as equity in full. The interest payments to be made to the bondholders were recognized directly in equity.

Non-Controlling Interests

Shares of third parties in Group companies are recognized under non-controlling interests.

Non-controlling interests increased by € 2,571.7 million in the 2021 fiscal year, from € 686.3 million as of January 1, 2021 to € 3,258.0 million as of December 31, 2021. This increase is chiefly due to the acquisition of the Deutsche Wohnen Group, with the addition of non-controlling interests in the amount of € 2,436.6 million, which, in turn, are primarily due to the 12.64% of Deutsche Wohnen SE shares not tendered to Vonovia SE.

39 Provisions

	Dec. 31, 2020		Dec. 31, 2021	
in € million	non-current	current	non-current	current
Provisions for pensions and similar obligations	627.8	-	684.5	-
Provisions for taxes (current income taxes excl. deferred taxes)	-	124.2	-	233.2
Other provisions				
Environmental remediation	11.5	-	19.8	16.8
Personnel obligations	52.3	56.3	39.0	84.4
Outstanding trade invoices	-	93.4	-	267.2
Miscellaneous other provisions	19.7	115.1	123.0	125.6
Total other provisions	83.5	264.8	181.8	494.0
Total provisions	711.3	389.0	866.3	727.2

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 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 institution of the Federal Republic of Germany and the Federal 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 6,545 (Dec. 31, 2020: 4,523) eligible persons. The increase results mainly from first-time inclusion of the eligible personnel of the Deutsche Wohnen Group in the pension valuation.

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) (eligible persons: 307, incl. persons no longer active). 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 model was closed in 2021.

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	374	654	391

	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 for 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	379	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 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, 2020	Dec. 31, 2021
Actuarial interest rate	0.70	1.10
Pension trend	1.75	1.75
Salary trend	2.50	2.50

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	2020	2021
DBO as of Jan. 1	591.0	648.1
Additions due to business combinations	–	110.4
Interest expense	5.8	4.6
Current service cost	12.2	14.6
Actuarial gains and losses:		
Changes in the biometric assumptions	-8.4	4.8
Changes in the financial assumptions	27.4	-41.1
Transfer	44.9	–
Benefits paid	-24.8	-29.6
DBO as of Dec. 31	**648.1**	**711.8**

The present value of the pension obligation is divided among the groups of eligible persons as follows:

in € million	Dec. 31, 2020	Dec. 31, 2021
Active employees	140.0	157.3
Former employees with vested pension rights	134.4	141.2
Pensioners	373.7	413.3
DBO as of Dec. 31	**648.1**	**711.8**

Plan assets comprise solely reinsurance contracts. The fair value of the plan assets has developed as follows:

in € million	2020	2021
Fair value of plan assets as of Jan. 1	21.8	21.2
Additions due to business combinations	–	7.7
Return calculated using the actuarial interest rate	0.2	0.1
Actuarial gains:		
Changes in the financial assumptions	0.4	0.7
Benefits paid	-1.2	-1.4
Fair value of plan assets as of Dec. 31	**21.2**	**28.3**

The actual return on plan assets amounted to € 0.8 million during the fiscal year (2020: € 0.6 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, 2020	Dec. 31, 2021
Present value of funded obligations	31.2	36.2
Present value of unfunded obligations	616.9	675.6
Total present value of defined benefit obligations	648.1	711.8
Fair value of plan assets	-21.1	-28.3
Net liability recognized in the balance sheet	627.0	683.5
Other assets to be recognized	0.8	1.0
Provisions for pensions recognized in the balance sheet	**627.8**	**684.5**

In 2021, actuarial gains of € 37.0 million (excluding deferred taxes) were recognized in other comprehensive income (2020: € -18.6 million).

The weighted average term of the defined benefit obligations is 15.5 years (Dec. 31, 2020: 16.1 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
2022	31.6
2023	30.9
2024	30.8
2025	31.0
2026	30.5
2027–2031	149.6

Sensitivity Analyses

An increase or decrease in the material actuarial assumptions would have led to the following defined benefit obligation, providing the other assumptions did not change:

in € million		Dec. 31, 2020	Dec. 31, 2021
Actuarial interest rate	Increase of 0.5%	599.5	660.4
	Decrease of 0.5%	703.5	769.6
Pension trend	Increase of 0.25%	660.7	726.5
	Decrease of 0.25%	635.2	696.9

An increase in life expectancy of 4.9% would have resulted in an increase in the DBO of € 27.9 million as of December 31, 2021 (Dec. 31, 2020: € 31.0 million). 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 € 3.5 million (Dec. 31, 2020: € 4.3 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.

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, 2021	Changes in scope of consolidation	Additions	Reversals	Interest accretion to provisions	Revaluation from currency effects	Utilization	As of Dec. 31, 2021
Other provisions								
Environmental remediation	11.5	10.7	16.6	–	–	–	-2.2	36.6
Personnel obligations	108.6	37.2	55.1	-3.1	0.1	-0.1	-74.4	123.4
Outstanding trade invoices	93.4	172.0	156.5	-8.6	–	-0.1	-146.0	267.2
Miscellaneous other provisions	134.8	124.3	45.1	-31.6	5.6	-0.1	-29.5	248.6
	348.3	**344.2**	**273.3**	**-43.3**	**5.7**	**-0.3**	**-252.1**	**675.8**

Development of Other Provisions During the Previous Year

in € million	As of Jan. 1, 2020	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**

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 and the Kabelwerk Köpenick cable factory. 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 € 22.6 million (Dec. 31, 2020: € 30.0 million) (see chapter [E48] Share-Based Payments).

The material individual cost items under miscellaneous other provisions include costs associated with legal disputes in the amount of € 34.2 million (Dec. 31, 2020: € 23.6 million), litigation costs in the amount of € 31.4 million (Dec. 31, 2020: € 10.7 million), costs associated with company tax audits in the amount of € 8.2 million (Dec. 31, 2020: € 6.0 million), provisions for other contractually agreed guarantees in the amount of € 4.2 million (Dec. 31, 2020: € 3.2 million) and onerous contracts in the amount of € 1.8 million (Dec. 31, 2020: € 2.1 million).

The Group expects to settle the lion's share of the provision over the coming year.

40 Trade Payables

in € million	Dec. 31, 2020 non-current	Dec. 31, 2020 current	Dec. 31, 2021 non-current	Dec. 31, 2021 current
Liabilities				
from property letting	–	85.0	–	133.7
from other supplies and services	5.0	144.5	5.4	310.7
	5.0	**229.5**	**5.4**	**444.4**

41 Non-derivative Financial Liabilities

in € million	Dec. 31, 2020 non-current	Dec. 31, 2020 current	Dec. 31, 2021 non-current	Dec. 31, 2021 current
Non-derivative financial liabilities				
Liabilities to banks	6,375.2	533.8	16,997.3	4,266.1
Liabilities to other creditors	15,999.9	1,060.7	23,174.6	2,418.3
Deferred interest from non-derivative financial liabilities	–	115.1	–	172.7
	22,375.1	**1,709.6**	**40,171.9**	**6,857.1**

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, € 166.2 million (Dec. 31, 2020: € 109.8 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, 2021	First-time consoli-dation	New loans	Scheduled repayments	Unsched-uled repay-ments	Adjusted for effec-tive inter-est method	Other adjust-ments	Exchange rate dif-ferences	As of Dec. 31, 2021
Bond (US dollar)	202.0					17.3			219.3
Bond (EMTN)	15,186.5		9,500.0	-500.0		-76.2			24,110.3
Bond (Green Bond)			600.0			-3.4			596.6
Promissory note loan	49.9		224.0	-4.0	-40.0	0.1			230.0
Bridge financing			12,950.0*	-9,460.0*		-8.4			3,481.6
Mortgages	8,531.2	12.3	575.8	-521.6	-287.3	-24.2	-123.7	-35.8	8,126.7
Deferred interest	115.1						24.5		139.6
Deutsche Wohnen									
Other financing**		10,752.0	150.2	-61.4	-723.7	-23.8	-1.5		10,091.8
Deferred interest		25.8					7.3		33.1
	24,084.7	**10,790.1**	**24,000.0**	**-10,547.0**	**-1,051.0**	**-118.6**	**-93.4**	**-35.8**	**47,029.0**

* This includes short-term bridge financing from Société Générale of € 1,500.0 million.
** This includes mortgages, convertible bonds, registered bonds and bearer bonds.

The non-derivative financial liabilities developed as follows in the previous year:

in € million	As of Jan. 1, 2020	First-time consoli-dation	New loans	Scheduled repayments	Unsched-uled repay-ments	Adjusted for effec-tive inter-est method	Other adjust-ments	Exchange rate differ-ences	As of Dec. 31, 2020
Bond (US dollar)	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 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 € 36.1 million lower than the recognized value (Dec. 31, 2020: € 18.9 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:

				Repayment of the nominal obligations is as follows:					
in € million	Nominal obligation Dec. 31, 2021	Maturity	Average interest rate	2022	2023	2024	2025	2026	from 2027
Bond (US dollar)*	185.0	2023	4.58%		185.0				
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
Bond (EMTN)*	500.0	2041	1.00%						500.0
Bond (Green Bond)*	600.0	2031	0.63%						600.0
Bond (EMTN)*	500.0	2024	0.00%			500.0			
Bond (EMTN)*	1,000.0	2027	0.38%						1,000.0
Bond (EMTN)*	1,000.0	2029	0.63%						1,000.0
Bond (EMTN)*	1,000.0	2033	1.00%						1,000.0
Bond (EMTN)*	500.0	2041	1.50%						500.0
Bond (EMTN)*	500.0	2023	0.00%		500.0				
Bond (EMTN)*	1,250.0	2025	0.00%				1,250.0		
Bond (EMTN)*	1,250.0	2028	0.25%						1,250.0
Bond (EMTN)*	1,250.0	2032	0.75%						1,250.0
Bond (EMTN)*	750.0	2051	1.63%						750.0
Bridge financing	3,490.0	2022	0.65%	3,490.0					

in € million	Nominal obligation Dec. 31, 2021	Maturity	Average interest rate	Repayment of the nominal obligations is as follows: 2022	2023	2024	2025	2026	from 2027
Promissory note loan*	230.0	2025	0.12%		120.0			50.0	60.0
Mortgages**	8,142.3	2034***	1.17%***	814.5	782.9	1,016.6	734.0	502.0	4,292.3
Deutsche Wohnen									
Other financing****	9,704.1	2028***	1.33%***	279.9	744.7	202.4	1,562.0	889.2	6,025.9
	46,651.4			**6,684.4**	**4,332.6**	**3,719.0**	**5,046.0**	**3,391.2**	**23,478.2**

* 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 calculation includes financial liabilities that will be transferred to Berlin housing companies in 2022 as part of the sale of residential units. These financial liabilities are included in the "Assets and liabilities held for sale" as at December 31, 2021.
**** This includes mortgages, convertible bonds, registered bonds and bearer bonds.

In the previous year, the maturities and average interest rates of the nominal obligations were as follows:

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 (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)*	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.

The loan repayments shown for the following years contain contractually fixed minimum repayment amounts.

Of the nominal obligations to creditors, € 13,060.3 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.

Financial liabilities to banks and other creditors have an average interest rate of approximately 1.14 %. 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 [G54] Financial Risk Management).

Repayment of Secured Financing

In October 2021, a secured financing agreement of some € 148.0 million that had reached full maturity was repaid.

A € 500.0 million bond issued in 2013 was also repaid in October 2021.

In December 2021, the perpetual hybrid of € 1,000 million taken out in 2014 – and recognized as equity attributable to Vonovia's hybrid capital investors – was terminated and repaid on the first possible repayment date.

Liabilities amounting to around SEK 2,800.0 million (around € 260.0 million) were repaid as scheduled in the Swedish subgroup in the 2021 fiscal year.

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, 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. This bond was repaid in full in the fourth quarter of 2021.

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 two further promissory notes of Vonovia SE, each in the amount of € 20.0 million and with a two-year term. A promissory note in the amount of € 20.0 million was repaid in full in June 2021.

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

Morgan Stanley, Société Générale and Bank of America provided Vonovia SE with bridge financing in an original amount of € 20,150.0 million on August 5, 2021 with a term of up to two years as part of the acquisition of Deutsche Wohnen. This was utilized in the amount of € 11,450.0 million and still valued at around € 3,490.0 million as of December 31, 2021. This bridge financing was syndicated with eleven further banks.

Working Capital Facility

With an agreement dated September 30, 2021 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 with an initial term of three years; on December 13, 2021 the facility was increased to € 3,000.0 million with the addition of Goldman Sachs, JPMorgan, Citibank and UBS. This credit line had not been used as of December 31, 2021.

42 Derivatives

	Dec. 31, 2020		Dec. 31, 2021	
in € million	non-current	current	non-current	current
Derivatives				
Purchase price liabilities from put options/rights to reimbursement		220.5		264.0
Cash flow hedges	29.6		12.3	
Stand-alone derivatives	47.2		53.9	
Deferred interest from derivatives		1.7		2.0
	76.8	**222.2**	**66.2**	**266.0**

Regarding derivative financial liabilities please refer to chapter [G52] Additional Financial Instrument Disclosures and chapter [G56] Cash Flow Hedges and Stand-alone Interest Rate Swaps.

43 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 model) 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 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) 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 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. 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 meet the definition of leases according to 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), rented residential, commercial and care home properties for subleasing (interim rental agreements), heat generation plants to supply the Group's own properties with heat (contracting), smoke detectors and heat meters (metering technology), leasing of land for the construction of owner-occupied commercial properties, as well as office buildings, office spaces, warehouse spaces and parking spaces (lease agreements). Under license agreements with public-sector institutions, Vonovia is granted the right to use public properties as storage locations or parking spaces, to lay cables or heating pipes, 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. These contracts generally have a term of 99 years.

Development of Right-of-use Assets

in € million	Dec. 31, 2020	Dec. 31, 2021
Right-of-use assets		
Leasehold contracts	1,431.9	1,685.3
Interim rental agreements	1.3	3.8
Right-of-use assets within investment properties	**1,433.2**	**1,689.1**
Leasing of land for the construction of owner-occupied commercial properties	27.3	27.4
Lease agreements	22.9	45.1
Contracting	15.9	56.8
Vehicle leases	2.6	4.8
Tenancy and license agreements	0.6	0.5
Leases of IT equipment	3.0	2.1
Metering technology		38.2
Right-of-use assets within property, plant and equipment	**72.3**	**174.9**
	1,505.5	**1,864.0**

As of December 2021 the right-of-use assets resulting from leases amount to € 1,864.0 million (2020: € 1,505.5 million).

The majority of the right-of-use assets amounting to € 1,689.1 million is reported under **investment properties** and does not only result from interim lease agreements (residential and commercial properties) and agreements on subleased care home properties (€ 3.8 million), but mainly from leasehold contracts (€ 1,685.3 million). The other right-of-use assets totaling € 174.9 million are reported under **property, plant and equipment** and mainly include right-of-use assets resulting from heat contracting (€ 56.8 million), concluded lease agreements (€ 45.1 million), contracts connected with leased metering technology (€ 38.2 million), the leasing of land for the construction of owner-occupied comercial properties (€ 27.4 million) and vehicle leases (€ 4.8 million).

Development of Lease Liabilities

in € million	Dec. 31, 2020 Due within one year	 Due in 1 to 5 years	 Due after 5 years	Dec. 31, 2021 Due within one year	 Due in 1 to 5 years	 Due after 5 years
Lease liabilities						
Leasehold contracts (IAS 40)	10.6	35.3	371.9	11.5	40.3	446.1
Interim rental agreements	0.9	0.4	–	1.4	2.6	0.0
Leasing of land for the construction of owner-occupied commercial properties	0.1	0.5	27.3	0.1	0.5	27.4
Lease agreements	8.3	13.4	1.5	10.4	23.1	11.8
Contracting	5.0	5.7	7.9	11.8	32.1	14.1
Vehicle leases	1.5	1.1	–	2.2	2.6	–
Tenancy and license agreements	0.1	0.1	0.5	0.0	0.0	0.5
Leases of IT equipment	1.3	1.7	–	1.2	1.0	–
Metering technology				5.6	19.9	12.8
	27.8	**58.2**	**409.1**	**44.2**	**122.1**	**512.8**

As of December 31, 2021 the lease liabilities amount to € 679.1 million (2020: € 495.1 million).

The year-over-year increase in lease liabilities of € 184.0 million is primarily acquisition-related, with € 129.8 million of this figure attributable to the takeover of Deutsche Wohnen SE as of Sep. 30, 2021. Increased lease payments and renewals of leasehold contracts led to a rise in leasing obligations of € 31.4 million. A further € 18.2 million results from the office complex in Essen leased for customer services in December 2021 (rental agreements).

Totaling € 512.8 million, the majority of the lease liabilities recognized as of December 31, 2021 are due after more than five years. Of this amount, € 446.1 million is attributable to lease liabilities from leasehold contracts. € 44.2 million is due within the next year. € 11.5 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, 2021	Additions 2021	Depreciation 2021	Carrying amount of right-of-use assets Dec. 31, 2021	Interest expenses 2021
Leasing of land for the construction of owner-occupied commercial properties	27.3	0.3	-0.4	27.4	0.8
Lease agreements	22.9	35.1	-10.2	45.1	0.2
Contracting	15.9	47.4	-6.1	56.8	0.6
Vehicle leases	2.6	5.0	-2.7	4.8	0.0
Tenancy and license agreements	0.6	0.0	-0.1	0.5	0.0
Leases of IT equipment	3.0	1.4	-1.3	2.1	0.0
Metering technology		40.4	-1.2	38.2	0.0
	72.3	**129.6**	**-22.0**	**174.9**	**1.6**

in € million	Carrying amount of right-of-use assets Jan. 1, 2020	Additions 2020	Depreciation 2020	Carrying amount of right-of-use assets Dec. 31, 2020	Interest expenses 2020
Leasing of land for the construction of owner-occupied commercial properties	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**

The interest expenses recognized in the 2021 fiscal year resulting from leases pursuant to IFRS 16 amounted to € 15.8 million (2020: € 16.1 million), mainly from leasehold contracts (€ 14.2 million).

In the 2021 fiscal year, a total of 279 lease contracts (2020: 479) were classified as short-term leases and thus were not recognized in line with the accounting option available. The corresponding expenses, recognized in the 2021 fiscal year, amounted to € 0.7 million (2020: € 1.7 million). Expenses relating to leases of low-value assets amounting € 1.2 million in the 2021 fiscal year (2020: € 0.0 million) mostly result from leased office equipment. Expenses totaling € 7.2 million were incurred in connection with variable lease payments made in the 2021 fiscal year (2020: € 9.1 million). 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 and leases of low-value assets, each included in the cash flow from operating activities, interest payments and repayments of lease liabilities totaling € 43.1 million were incurred in the 2021 fiscal year (2020: € 38.4 million). Thus, the total cash outflow for leases in 2021 amounted to € 52.2 million (2020: € 49.2 million).

Total income from subleasing, mostly from subleasing of right-of-use assets in connection with rented residential, commercial and care home properties, amounts to € 9.4 million (2020: € 8.3 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 2021 amounted to € 0.9 million (2020: loss of € 0.7 million). This does not have any material impact on the Group's cash flows.

44 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 multiple guaranteed dividends as part of the valid profit-and-loss transfer agreements or co-investor agreements in an amount of € 240.5 million (Dec. 31, 2020: € 43.1 million).

45 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 € 112.0 million (Dec. 31, 2020: € 117.4 million) in tenant financing contributions. In addition, the financial liabilities from tenant financing include € 45.5 million (Dec. 31, 2020: € 46.0 million) in maintenance and improvement contributions deposited by tenants (EVB).

46 Other Liabilities

in € million	Dec. 31, 2020 non-current	Dec. 31, 2020 current	Dec. 31, 2021 non-current	Dec. 31, 2021 current
Advance payments received	–	79.6	–	101.2
Miscellaneous other liabilities	2.6	123.7	5.2	127.6
	2.6	**203.3**	**5.2**	**228.8**

The advance payments received include on-account payments of € 38.6 million (Dec. 31, 2020: € 53.1 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 € 22.9 million (Dec. 31, 2020: € 32.7 million) for the acquisition of further shares in companies that are already consolidated.

Section (F): Corporate Governance Disclosures

47 Related Party Transactions

Vonovia had business relationships with unconsolidated subsidiaries in the 2021 fiscal year. These transactions resulted from the normal exchange of deliveries and services and are shown in the table below:

	Purchased services		Receivables		Liabilities		Advance payments	
in € million	2020	2021	2020	2021	2020	2021	2020	2021
Associated companies	5.8	28.8	3.9	657.9	3.0	0.9		110.0
Joint ventures				148.6				8.8
Other non consolidated subsidiaries			5.0	1.8				
	5.8	**28.8**	**8.9**	**808.3**	**3.0**	**0.9**	**-**	**118.8**

Through the acquisition of Deutsche Wohnen, there were business dealings with the QUARTERBACK Group in the 2021 fiscal year. These transactions generally resulted from the normal exchange of deliveries and services, and all were concluded based on customary market conditions. As of the reporting date, loan receivables were recognized in the amount of € 806.5 million (previous year: € 252.4 million), which are payable at the latest twelve months after the reporting date. The average interest rate for the loans is 5.05%. As of December 31, 2021 the QUARTERBACK Group concluded additional project development sales to subsidiaries of Deutsche Wohnen SE in the amount of € 876.0 million (previous year: € 292.5 million), for which the Deutsche Wohnen Group made advance payments of € 135.8 million (previous year: € 17.0 million). As of December 31, 2021 outstanding balances on receivables were recognized in the amount of € 0.0 million (previous year: € 0.8 million). In connection with new agency services contracted by the QUARTERBACK Group in the amount of € 16.6 million, Deutsche Wohnen has outstanding balances on receivables as of December 31, 2021 of € 0.9 million (previous year: € 0.0 million). Furthermore, a guarantee was granted to the QUARTERBACK Group in the amount of € 12.3 million in the fiscal year under review. In addition, Isaria München Projektentwicklungs GmbH was sold to the QUARTERBACK Immobilien Group for € 12.5 million in the first quarter of 2021.

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 of the Supervisory Board.

The active members of the Management Board and Supervisory Board received the following remuneration:

in € million	2020	2021
Short-term benefits (without share-based payment)	7.9	8.0
Post-employment benefits	2.2	2.4
Termination benefits	1.4	0.6
Share-based payment	8.4	4.4
	19.9	**15.4**

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 [F48] Share-Based Payments.

The Management Board and Supervisory Board members were not granted any loans or advances.

48 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 [E39] Provisions).

Management Board

As part of the LTIP plan in place since 2015, 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 and on the development of the share price. The pre-defined target achievement level is based on the targets Relative Total Shareholder Return (RTSR), since this year the development of EPRA Net Tangible Assets (NTA) per share, the development of the Group FFO per share, and since this year the Sustainability Performance Index (SPI), with each target weighted equally at 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, 2021 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, 2021
2018–2021	Dec. 31, 2021	4,976,286
2019–2022	Dec. 31, 2022	4,533,910
2020–2023	Dec. 31, 2023	2,792,495
2021–2024	Dec. 31, 2024	1,154,750

The LTIP plan program resulted in expenses pursuant to IFRS 2 totaling € 5.1 million in the 2021 reporting year (2020: € 8.4 million).

Management Boards of Deutsche Wohnen

In the 2021 reporting year, the Management Board members of Deutsche Wohnen received the value of phantom stocks – Restricted Share Units (RSU) – for a total period of four years, which were granted every April 1 when they first assumed the office of company Board Members. The Restricted Share Units represented the virtual value of the Deutsche Wohnen share based on a 30-trading day reference price as of the granting date and the gross dividends accrued (under the law of obligations). Expenses of € 0.1 million were incurred by the Deutsche Wohnen Group for the RSU program in the fourth quarter of 2021. RSUs are no longer in place as instruments of remuneration and were no longer a component of the 2021 remuneration system.

Executives Below Management Board Level

The LTIP plan has been in place for the first level of management since 2016. This LTIP plan is based largely on the LTIP in place for the Management Board, 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, 2021 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, 2021
2018	Dec. 31. 2021	2,288,526
2019	Dec. 31. 2022	1,938,886
2020	Dec. 31. 2023	1,030,527
2021	Dec. 31. 2024	416,961

The LTIP plan program results, in accordance with IFRS, in expenses of € 1.7 million in the 2021 reporting year (2020: € 4.4 million).

Employees

The Group works council "Employee Share Program" was concluded in 2014. The program started in the 2015 calendar year, with the shares granted 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 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 € 2.4 million in the 2021 reporting year (2020: € 2.3 million), which have been offset directly against the capital reserves.

49 Remuneration

Remuneration of the Supervisory Board

The members of the Supervisory Board received total remuneration of € 1.8 million during the 2021 fiscal year (2020: € 1.8 million) for their work.

Total Remuneration of the Management Board

The total remuneration paid to the members of the Management Board comprises the following:

Total remuneration of the Management Board in €	Total remuneration	
	2020	**2021**
Fixed remuneration and short-term variable remuneration	**6,800,995**	**7,186,465**
Total long-term variable share-based remuneration	**5,412,866**	**4,828,565**
of which		
2020-2023	5,412,866	-
2021-2024	-	4,828,565
(number of shares)	97,115	88,524
Total remuneration	**12,213,861**	**12,015,030**

The remuneration paid to the Management Board members includes the remuneration for all mandates at Vonovia Group companies, subsidiaries and participating interests.

Remuneration of Former Management Board Members and Their Surviving Dependents

Total remuneration of former Management Board members and their surviving dependents amounts to € 0.9 million for the 2021 fiscal year (2020: € 1.7 million). In accordance with the provisions of the termination agreement with Klaus Freiberg, this remuneration includes compensation payable following termination of his contract of employment on December 31, 2019 amounting to € 0.6 million.

The defined benefit obligation (DBO) to former members of the Management Board and their surviving dependents amounts to € 20.5 million (2020: € 22.1 million).

50 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	2020	2021
Audits	5.0	8.4
Other confirmation services	0.4	3.1
	5.4	**11.5**

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 ISAE 3000 relating to various housing assistance reports and the use of funds from KfW loans. Other confirmation services also included services associated with the issue of comfort letters, the review of the pro forma financial information and the issue of valuation certificates.

51 Declaration of Conformity with the German Corporate Governance Code

In December 2021, 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 it permanently available on the **company's website**.

Section (G): Additional Financial Management Disclosures

Other Notes and Disclosures

52 Additional Financial Instrument Disclosures

Measurement categories and classes:

in € million	Carrying amounts Dec. 31, 2021
Assets	
Cash and cash equivalents	
Cash on hand and deposits at banking institutions	1,134.0
Money market funds	298.8
Trade receivables	
Receivables from the sale of properties	104.6
Receivables from property letting	48.6
Other receivables from trading	32.7
Receivables from the sale of real estate inventories (Development)	264.0
Financial assets	
Investments valued at equity	548.9
Finance lease receivables	23.7
Other current financial receivables from financial transactions*	499.6
Loans to other investments	33.2
Other non-current loans	511.8
Other non-current loans to associates and joint ventures	563.1
Non-current securities	5.2
Other investments	377.0
Derivative financial assets	
Cash flow hedges (cross currency swaps)	35.8
Stand-alone interest rate swaps and interest rate caps as well as embedded derivatives	30.6
Liabilities	
Trade payables	449.8
Non-derivative financial liabilities	47,029.0
Derivative financial liabilities	
Purchase price liabilities from put options/rights to reimbursement	264.0
Stand-alone interest rate swaps and interest rate caps	53.9
Cash flow hedges	14.3
Lease liabilities	679.1
Liabilities from tenant financing	157.5
Liabilities to non-controlling interests	240.5

* 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 Dec. 31, 2021	Fair value hierarchy level
1,134.0					1,134.0	1
298.8					298.8	2
104.6					104.6	2
48.6					48.6	2
32.7					32.7	2
264.0					264.0	2
				548.9	548.9	n.a.
				23.7	23.7	
499.6					499.6	2
33.2					54.8	2
511.8					511.8	2
563.1					563.1	2
			5.2		5.2	1
			377.0		377.0	2
	-14.0	49.8			35.8	2
	30.6				30.6	2
449.8					449.8	2
47,029.0					-47,596.5	2
264.0					264.0	3
	53.9				53.9	2
	11.4	2.9			14.3	2
				679.1		
157.5					157.5	2
240.5					240.5	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 € 3.5 million (Dec. 31, 2020: € 4.3 million).
> Amount by which the fair value of plan assets exceeds the corresponding obligation of € 1.0 million (Dec. 31, 2020: € 0.8 million).
> Provisions for pensions and similar obligations: € 684.5 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	Dec. 31, 2021	Level 1	Level 2	Level 3
Assets				
Investment properties	94,100.1			94,100.1
Financial assets				
Non-current securities	5.2	5.2		
Other investments	377.0		377.0	
Assets held for sale				
Investment properties (contract closed)	1,661.5		1,661.5	
Derivative financial assets				
Cash flow hedges (cross currency swaps)	35.8		35.8	
Stand-alone interest rate swaps and caps as well as embedded derivatives	30.6		30.6	
Liabilities				
Derivative financial liabilities				
Cash flow hedges	14.3		14.3	
Stand-alone interest rate swaps and caps	53.9		53.9	

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.

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 5 to 155 basis points, depending on the residual maturities of financial instruments. Regarding the positive market values of the cross currency swaps, a counterparty risk of 15 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 (STIBOR 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.

in € million	From interest	Income from other non-current loans	Dividends from other invest-ments	Impairment losses	Derecog-nized re-ceivables	Derecog-nized liabil-ities	Financial result affecting income 2021	Measure-ment of cash flow hedges	Measure-ment of fi-nancial in-struments categorized as equity instru-ments	Total financial result 2021
	From subsequent measurement									
2021										
Debt instruments carried at (amortized) cost	21.1	13.1	–	-23.2	-2.5	–	8.5	–	–	8.5
Debt instruments measured at FVOCI	–	–	27.7	–	–	–	27.7	–	–	27.7
Derivatives measured at FV through P&L with reclassification	-0.2	–	–	–	–	–	-0.2	–	–	-0.2
Debt instruments measured at FVOCI with reclassification	–	–	–	–	–	–	–	26.1	–	26.1
Equity instruments measured at FVOCI without reclassification	–	–	–	–	–	–	–	–	81.1	81.1
Financial liabilities measured at (amortized) cost	-385.4	–	–	–	–	3.5	-381.9	–	–	-381.9
	-364.5	**13.1**	**27.7**	**-23.2**	**-2.5**	**3.5**	**-345.9**	**26.1**	**81.1**	**-238.7**

in € million	From interest	Dividends from other invest-ments	From subsequent measurement: Impairment losses	From subsequent measurement: Derecog-nized re-ceivables	From subsequent measurement: Derecog-nized liabil-ities	Financial result affecting income 2020	Measure-ment of cash flow hedges	Measure-ment of fi-nancial in-struments categorized as equity instru-ments	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 FVOCI	–	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**

53 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.

54 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 → **Risk Management Structure and Instruments**). 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 to be issued USD bond were eliminated by the contracting of cross currency swaps. Liquidity transfers from the German subgroup to Swedish subsidiaries are usually secured through the conclusion of foreign currency forwards. Nevertheless, currency fluctuations are expected to result from financing relationships with Swedish subsidiaries. The loans paid in Swedish krona to Swedish subsidiaries rose to SEK 20,271.3 million (Dec. 31, 2020: SEK 20,226.3 million). Based on the exchange rate as of December 31, 2021, a -5% change in the value of the Swedish krona against the euro would result in currency gains of € 9.9 million, while a change of +5% would result in a currency loss of € 9.8 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 [G56] Cash Flow Hedges and Stand-alone Interest Rate Swaps.

Other Risks

Vonovia also acts as an energy supply company through its subsidiary Vonovia Energie Service GmbH. Contracts used for procurement and in the context of sales do not constitute financial instruments under IFRS 9. However, because the contracts used are managed in a comparable manner, this business area is also presented below. Due in particular to the current strong fluctuations in energy procurement conditions, there is a risk that planned energy procurement prices may not be realized. This indirectly results in the risk of the energy sales business becoming loss-making. Vonovia hedges against these risks with a broad range of risk management instruments, which, in addition to a structured multi-year procurement strategy and systematic risk monitoring, also offers the option of price adjustments during the year. This has significantly reduced market price risks in the current highly dynamic situation on the energy procurement markets.

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 generally 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. In order to minimize credit risks, large amounts of cash on hand are avoided wherever possible. In the event that large reserves are necessary on a short-term basis due to pending investments or refinancing, these are distributed among various instruments and banking partners with good credit ratings.

The following table shows the forecast for undiscounted cash flows of the non-derivative financial liabilities and derivative financial instruments for the 2021 reporting year. The loan repayments shown for the following years contain only contractually fixed minimum repayment amounts:

		2022		2023		2024 to 2028	
in € million	Carrying amount as of Dec. 31, 2021	Interest	Repayment	Interest	Repayment	Interest	Repayment
Non-derivative financial liabilities							
Liabilities to banks	21,263.4	118.0	846.7	149.2	1,619.4	484.1	7,437.7
Liabilities to other creditors	25,592.9	200.7	5,837.7	307.0	2,713.2	1,100.2	11,956.1
Deferred interest from other non-derivative financial liabilities	172.7	172.7	–	–	–	–	–
Lease liabilities	679.1	15.1	22.4	14.8	14.2	71.5	40.0
Financial liabilities from tenant financing	157.5	–	114.6	–	2.1	–	10.2
Derivative financial liabilities							
Purchase price liabilities from put options/rights to reimbursement	264.0	–	47.8	–	–	–	34.0
Cash flow hedges/stand-alone interest rate derivatives	35.6	46.0	–	35.5	–	28.4	–
Cash flow hedges (cross currency swap) USD in €	-35.2	-10.2	–	-10.2	-185.0		
Cash flow hedges (cross currency swap) in €		8.4	–	8.4	185.0		
Deferred interest from swaps	1.4	1.4	–	–	–	–	–

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	-	-	-	-	-

Credit Line

Up until the end of September, there was an agreement in place on a syndicated revolving credit facility of € 1,000 million between Vonovia Finance B.V. and several banks, led by Commerzbank AG. This agreement, which was originally set to run until 2024, was terminated prematurely in September 2021 and replaced with a comparable master agreement with a volume of € 2,000 million between Vonovia SE and a banking consortium led by Commerzbank AG. An increase option of € 1,000 million was utilized in November, meaning that a total volume of € 3,000 million has been available through this credit facility ever since. Drawdowns can be made in euros or Swedish krona under the agreement, which will end in 2024, with interest based on the EURIBOR or STIBOR, plus an additional margin. This credit line had not been used as of December 31, 2021.

Project-specific credit lines totaling around € 49.8 million were available on the reporting date in connection with bank-financed development projects. The nominal amount of these agreements totals € 227.5 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.

In the Deutsche Wohnen subgroup, there are a total of six framework credit agreements with various banks and a total volume of € 450 million. Bills of exchange may also be issued under the terms of one of these agreements, concluded with Aareal Bank in a framework volume of € 10 million. As of the reporting date, bills of exchange with a total volume of around € 1.8 million were outstanding. Three of the credit facilities, with a total volume of € 400 million, are contractually due to end in 2022. There is also a guarantee framework agreement with Euler Hermes in the amount of € 50.0 million, with a volume of some € 31 million having been issued as of the reporting date.

There is also a guarantee credit agreement in place between Vonovia and Commerzbank that was increased from € 35.0 million to € 50.0 million in May 2021. Bills of exchange of approximately € 35.5 million had been drawn from this amount as of December 31, 2021. There is another guarantee credit agreement with Raiffeisen Bank International AG in the amount of € 5.0 million. It had not been drawn by the reporting date.

In December 2019, Vonovia SE concluded two guarantee lines that can be used on a revolving basis with Atradius Credit Insurance N.V. and Swiss Re International SE. 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 € 0.4 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, 2021 the total volume available under general guarantee agreements came to € 160.5 million, € 105.2 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. As of the reporting date of December 31, 2021 an amount of € 0.2 million had been used. As of the reporting date, a guarantee of Frankfurter Sparkasse of approx. € 2.9 million had been drawn, as had a guarantee of Kreissparkasse Gelnhausen of approx. € 0.25 million.

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, 2021.

All in all, Vonovia has cash on hand and deposits at banking institutions of € 1,134.0 million as of the reporting date (Dec. 31, 2020: € 613.3 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.

55 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, 2020	Dec. 31, 2021
Total equity	24,831.8	36,545.1
Total assets	62,417.4	106,320.3
Equity ratio	39.8%	34.4%

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.

56 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 € 1,109.5 million (Dec. 31, 2020: € 1,117.4 million). Interest rates on hedging instruments are between 0.064% and 3.760% with original swap periods of between 4.75 and 20 years.

For three hedging instruments that are maintained within 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 € 18.7 million.

All derivatives are included in netting agreements with the issuing banks.

Cross currency swaps were recognized at their positive fair values. While the interest rate swap redesignated by BUWOG – Bauen und Wohnen Gesellschaft mbH in the previous year also shows a positive fair value, each of the other euro interest rate swaps has a negative fair 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	77.2	June 28, 2013	June 30, 2023	3M EURIBOR margin 1.47%
Interest rate swaps	77.2	June 28, 2013	June 30, 2023	2.290%
UniCredit Bank AG				
Hedged items	44.1	Oct. 01, 2018	Nov. 30, 2038	3M EURIBOR margin 1.32%
Interest rate swaps	44.1	Oct. 01, 2018	Nov. 30, 2038	1.505%
UniCredit Bank Austria AG				
Hedged items	95.0	Jan. 02, 2015	Dec. 31, 2034	3M EURIBOR margin 1.12%
Interest rate swaps	95.0	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. 02, 2013	Oct. 02, 2023	5.00%		
CCS	250.0	185.0	Oct. 02, 2013	Oct. 02, 2023		4.58%	1.3517

As of September 30, 2021, 15 euro interest rate swaps with a nominal value of € 657.8 million were adopted as stand-alone hedging instruments by the Vonovia Group in connection with the acquisition of Deutsche Wohnen SE. In total, the fair values amounted to € -28.9 million as of first-time consolidation. The hedged nominal value corresponds to a volume of € 652.9 million as of the reporting date; overall, the fair values decreased to € -20.8 million.

With the takeover of a borrowing to Aggregate Holdings S.A. in the amount of € 250 million, Vonovia concluded a call option for 13.3% of shares in Adler-Group S.A. with the company, with a term of eight months. There was a positive fair value of € 20.2 million for the call option at the time of addition on October 7, 2021. The subsequent measurement of the call option is carried out at fair value through profit and loss in accordance with the IFRS 9 classification model. As of December 31, 2021 the subsequent measurement results in positive net interest of € 6.1 million.

The hedged nominal volume of currently 13 stand-alone interest rate swaps of BUWOG amounted to € 312.3 million as of December 31, 2021 (Dec. 31, 2020: € 351.4 million).

On the reporting date, the Hembla Group still recognized two stand-alone interest rate swaps and eight interest rate caps. The nominal value hedged in Swedish krona corresponds to a volume of € 946.8 million as of December 31, 2021 (Dec. 31, 2020: € 967.6 million), with the positive and negative fair values balancing each other out overall: € 0.0 million (Dec. 31, 2020: € -0.7 million). Due to the high prepayment fees, embedded derivatives from loan termination rights were not longer recognized as of the reporting date. The positive fair value of the previous year in the amount of € 2.7 million was derecognized accordingly in profit or loss.

On the reporting date, the Victoria Park Group recognized 17 stand-alone interest rate swaps and four interest rate caps. The nominal value hedged in Swedish krona corresponds to a volume of € 721.4 million as of December 31, 2021 (Dec. 31, 2020: € 939.6 million) with the fair value amounting to € -1.0 million in total (Dec. 31, 2020: € -7.7 million). The positive fair value of the embedded derivatives from termination rights of loans from the previous year in the amount of € 0.9 million was also derecognized in profit or loss in the reporting year.

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 clean fair values totaling € -12.3 million as of December 31, 2021 (Dec. 31, 2020: € -29.6 million). The corresponding deferred interest amounted to € -2.0 million (Dec. 31, 2020: € -1.7 million).

At the same time, positive market values from cross currency swaps in the amount of € 35.2 million (Dec. 31, 2020: € 18.4 million), together with positive market values in a total amount of € 30.6 million (Dec. 31, 2020: € 4.0 million), were recognized from the Adler option and stand-alone interest rate derivatives of Hembla, Victoria Park and Deutsche Wohnen. The corresponding deferred interest amounted to € 0.6 million (Dec. 31, 2020: € 0.4 million).

Financial liabilities also included negative fair values from stand-alone interest rate derivatives in the amount of € -53.9 million (Dec. 31, 2020: € -47.1 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
2021	**-32.9**	**12.1**	**6.1**	**-11.7**	**14.5**	**-11.9**
2020	**-52.2**	**-5.4**	**-1.4**	**12.7**	**13.4**	**-32.9**

The impact of the cash flow hedges (including income taxes) on total comprehensive income is shown below:

Cash Flow Hedges

in € million	2020	2021
Change in unrealized gains/losses	-10.1	26.5
Taxes on the change in unrealized gains/losses	3.3	-8.3
Net realized gains/losses	34.1	-0.4
Taxes due to net realized gains/losses	-8.0	3.2
Total	**19.3**	**21.0**

In the reporting year, after allowing for deferred taxes, negative cumulative ineffectiveness for cash flow hedges amounted to € -0.1 million (2020: € 1.0 million), improving net interest by € 1.1 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:

	Change in equity		
in € million	Other reserves not affecting net income	Income statement affecting net income	Total
2021			
+50 basis points	6.1	21.8	27.9
-50 basis points	-5.8	-19.7	-25.5
2020			
+50 basis points	9.1	16.3	25.4
-50 basis points	-6.4	-15.0	-21.4

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 € -1.1 million (or € -0.9 million), while ineffectiveness affecting net income in the amount of € +1.6 million (or € +0.5 million) would result at the same time. In the previous year, a change in the other reserves not affecting net income of € -0.2 million (or € +0.2 million) was recognized in connection with ineffectiveness affecting net income in the amount of € +0.8 million (or € -0.7 million).

57 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, 2020	Dec. 31, 2021
Guarantees in connection with Development	120.3	104.5
Rent surety bonds	1.6	3.2
Other	–	1.6
	121.9	**109.3**

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.

58 Other Financial Obligations

The other financial obligations are as follows:

in € million	Dec. 31, 2020	Dec. 31, 2021
Other financial obligations		
Investment obligations	–	921.9
Obligations resulting from acquisition	–	868.1
Commitments under purchase orders for modernization	–	800.1
Cable TV service contracts	251.3	220.5
IT service contracts	28.5	62.0
Surcharges under the German Condominium Act	0.2	1.6
Other	13.7	26.4
	293.7	**2,900.6**

The obligations under cable TV service contracts are set against future income from the marketing of the cable TV service.

Bochum, Germany, March 10, 2022

Rolf Buch
(CEO)

Arnd Fittkau
(CRO)

Philip Grosse
(CFO)

Daniel Riedl
(CDO)

Helene von Roeder
(CTO)

Information

To offer a high degree of transparency, we publish detailed information in line with the requirements of the European Public Real Estate Association (EPRA).

List of Vonovia Shareholdings

as of December 31, 2021, according to Section 313 (2) HGB

Company	Company domicile	Interest %
Vonovia SE	Bochum/DE	
Consolidated Companies		
Germany		
AGG Auguste-Viktoria-Allee Grundstücks GmbH	Berlin	100.00 [1)]
Alboingärten Bauvorhaben Bessemerstraße GmbH	Schönefeld	100.00
Alpha Asset Invest GmbH (former Alpha Asset Invest GmbH & Co. KG)	Berlin	100.00
alt+kelber Immobilienverwaltung GmbH	Berlin	100.00
Amber Dritte VV GmbH	Berlin	94.90 [1)]
Amber Erste VV GmbH	Berlin	94.90 [1)]
Amber Zweite VV GmbH	Berlin	94.90 [1)]
Aragon 13. VV GmbH	Berlin	94.90 [1)]
Aragon 14. VV GmbH	Berlin	94.90 [1)]
Aragon 15. VV GmbH	Berlin	94.90 [1)]
Aragon 16. VV GmbH	Berlin	94.90 [1)]
Aufbau-Gesellschaft der GEHAG mit beschränkter Haftung	Berlin	100.00
Barmer Wohnungsbau GmbH	Wuppertal	92.03
Barmer Wohnungsbau Grundbesitz I GmbH	Wuppertal	100.00
Barmer Wohnungsbau Grundbesitz IV GmbH	Wuppertal	100.00
Barmer Wohnungsbau Grundbesitz V GmbH	Wuppertal	100.00
BauBeCon BIO GmbH	Berlin	100.00 [1)]
BauBeCon Immobilien GmbH	Berlin	100.00 [1)]
BauBeCon Wohnwert GmbH	Berlin	100.00 [1)]
Baugesellschaft Bayern mbH	Munich	94.90
Bau- und Siedlungsgesellschaft Dresden mbH	Dresden	94.73
Beamten-Baugesellschaft Bremen Gesellschaft mit beschränkter Haftung	Bremen	94.90
Beragon VV GmbH	Berlin	94.90 [1)]
Börsenhof A Besitz GmbH	Bremen	94.00
Bremische Gesellschaft für Stadterneuerung, Stadtentwicklung und Wohnungsbau mit beschränkter Haftung	Bremen	94.90
Bundesbahn-Wohnungsbaugesellschaft Kassel Gesellschaft mit beschränkter Haftung	Kassel	94.90
Bundesbahn-Wohnungsbaugesellschaft Regensburg mbH	Regensburg	94.90
BUWOG - Bauen und Wohnen Deutschland 1 GmbH	Schönefeld	100.00
BUWOG - Bauen und Wohnen Deutschland 2 GmbH	Berlin	100.00

Company	Company domicile	Interest %
BUWOG - Bauen und Wohnen Deutschland 3 GmbH	Berlin	100.00
BUWOG - Bauen und Wohnen Leipzig GmbH	Leipzig	100.00
BUWOG - Berlin I GmbH & Co. KG	Bochum	94.90
BUWOG - Berlin II GmbH	Kiel	94.90
BUWOG - Berlin Kreuzberg I GmbH & Co. KG	Bochum	94.90
BUWOG - Berlin Wohnen GmbH	Kiel	94.90
BUWOG - Berlin Wohnen II GmbH	Kiel	94.90 [1)]
BUWOG - Berlin Wohnen III GmbH	Kiel	94.90
BUWOG - Braunschweig I GmbH	Kiel	94.90
BUWOG - Gartenfeld Development GmbH	Berlin	94.90
BUWOG - Gartenfeld Wohnen GmbH	Kiel	94.90
BUWOG - Gervinusstraße Development GmbH	Berlin	100.00
BUWOG - Goethestraße Development GmbH	Berlin	94.90
BUWOG - Grundstücks- und Betriebs GmbH	Kiel	94.90
BUWOG - Hamburg Süd GmbH	Kiel	94.90 [1)]
BUWOG - Hamburg Umland I GmbH	Kiel	94.90
BUWOG - Hamburg Umland II GmbH	Kiel	94.90
BUWOG - Hamburg Wohnen GmbH	Kiel	100.00
BUWOG - Harzer Straße Development GmbH	Berlin	94.90
BUWOG - Hausmeister GmbH	Kiel	100.00
BUWOG - Heidestraße Development GmbH	Berlin	94.90
BUWOG - Herzogtum Lauenburg GmbH	Kiel	94.90
BUWOG - Immobilien Management GmbH	Kiel	100.00
BUWOG - Jahnstraße Development GmbH	Berlin	94.90
BUWOG - Kassel Verwaltungs GmbH	Kiel	100.00
BUWOG - Kiel I GmbH & Co. KG	Bochum	94.90
BUWOG - Kiel II GmbH	Kiel	94.90
BUWOG - Kiel III GmbH	Kiel	94.90
BUWOG - Kiel IV GmbH	Kiel	94.90
BUWOG - Kiel V GmbH	Kiel	94.90
BUWOG - Kiel Meimersdorf GmbH	Kiel	94.90 [1)]
BUWOG - Lübeck Hanse I GmbH	Kiel	94.90
BUWOG - Lübeck Hanse II GmbH	Kiel	94.90
BUWOG - Lübeck Hanse III GmbH	Kiel	94.90
BUWOG - Lübeck Hanse IV GmbH	Kiel	94.90
BUWOG - Lückstraße Development GmbH	Berlin	94.90
BUWOG - Lüneburg GmbH	Kiel	94.90
BUWOG - Mariendorfer Weg Development GmbH	Berlin	94.90
BUWOG - NDL I GmbH	Kiel	100.00
BUWOG - NDL II GmbH	Kiel	100.00
BUWOG - NDL III GmbH	Kiel	100.00
BUWOG - NDL IV GmbH	Kiel	100.00
BUWOG - NDL IX GmbH	Kiel	100.00
BUWOG - NDL V GmbH	Kiel	100.00
BUWOG - NDL VI GmbH	Kiel	100.00

Company	Company domicile	Interest %
BUWOG - NDL VII GmbH	Kiel	100.00
BUWOG - NDL VIII GmbH	Kiel	100.00
BUWOG - NDL X GmbH	Kiel	100.00
BUWOG - NDL XI GmbH	Kiel	100.00
BUWOG - NDL XII GmbH	Kiel	100.00
BUWOG - NDL XIII GmbH	Kiel	100.00
BUWOG - Niedersachsen/Bremen GmbH	Kiel	94.90 1)
BUWOG - Parkstraße Development GmbH	Berlin	94.90
BUWOG - Regattastraße Development GmbH	Berlin	100.00
BUWOG - Region Ost Development GmbH	Berlin	100.00
BUWOG - Rhein-Main Development GmbH (former Bien-Ries GmbH)	Hanau	100.00
BUWOG - Schleswig-Holstein GmbH	Kiel	94.90 1)
BUWOG - Spandau Primus GmbH	Kiel	100.00
BUWOG - Weidenbaumsweg Development GmbH	Berlin	94.90
BUWOG Bauträger GmbH	Berlin	94.90
BUWOG Immobilien Treuhand GmbH	Bochum	100.00 1)
BUWOG Kassel I GmbH & Co. KG	Bochum	94.90
BUWOG Kassel II GmbH & Co. KG	Bochum	94.90
BUWOG Projektmanagement GmbH	Berlin	100.00
BUWOG Spandau 1 GmbH & Co. KG	Kiel	100.00 3)
BUWOG Spandau 2 GmbH & Co. KG	Kiel	100.00 3)
BUWOG Spandau 3 GmbH & Co. KG	Kiel	100.00 3)
BUWOG Syke GmbH	Kiel	100.00
BUWOG-Lindenstraße Development GmbH	Berlin	100.00
BUWOG-Westendpark Development GmbH	Berlin	100.00
BWG Frankfurt am Main Bundesbahn-Wohnungsgesellschaft mbH	Frankfurt am Main	94.90
C. A. & Co. Catering KG	Wolkenstein	100.00
Ceragon VV GmbH	Berlin	94.90 1)
Communication Concept Gesellschaft für Kommunikationstechnik mbH	Leipzig	100.00
conwert & kelber Besitz 10/2007 GmbH	Berlin	94.80
conwert & Kelber Besitz 11/2007 GmbH	Zossen	94.80
conwert & kelber Bestand 10/2007 GmbH	Berlin	94.80
conwert Alfhild II Invest GmbH	Berlin	94.90
conwert Alfhild Invest GmbH	Berlin	94.90
conwert alpha Invest GmbH	Zossen	94.90
conwert Aries Invest GmbH	Zossen	100.00
conwert Berlin 2 Immobilien Invest GmbH	Zossen	94.90
conwert beta Invest GmbH	Berlin	94.90
conwert Capricornus Invest GmbH	Zossen	100.00
conwert Carina Invest GmbH	Berlin	100.00
conwert Cassiopeia Invest GmbH	Berlin	94.90
conwert Centaurus Invest GmbH	Zossen	94.90
conwert Corvus Invest GmbH	Berlin	94.00
conwert delta Invest GmbH	Berlin	100.00
conwert Deutschland Beteiligungsholding GmbH	Berlin	100.00
conwert Deutschland GmbH	Berlin	100.00

Company	Company domicile	Interest %
conwert Deutschland Holding GmbH	Berlin	94.90
conwert Dresden Vier Invest GmbH	Berlin	100.00
conwert Eisa Invest GmbH	Zossen	94.90
conwert Epitaurus Invest GmbH	Zossen	94.00
conwert epsilon Invest GmbH	Berlin	94.90
conwert gamma Invest GmbH	Berlin	94.90
conwert Gemini Invest GmbH	Zossen	100.00
conwert Grazer Damm Development GmbH	Zossen	94.90
conwert Grundbesitz Leipzig Besitz GmbH	Berlin	94.90
conwert Grundbesitz Leipzig Bestand GmbH	Zossen	94.90
conwert Immobilien Development GmbH	Berlin	94.90
conwert lambda Invest GmbH	Berlin	100.00
conwert Lepus Invest GmbH	Berlin	100.00
conwert omega Invest GmbH	Zossen	94.90
conwert Pegasus Invest GmbH	Berlin	94.90
conwert Phoenix Invest GmbH	Berlin	100.00
conwert Sachsen Invest GmbH	Zossen	100.00
conwert Tizian 1 Invest GmbH	Berlin	94.90
conwert Tizian 2 Invest GmbH	Berlin	94.90
conwert Wali Invest GmbH	Berlin	94.90
conwert Wohn-Fonds GmbH	Zossen	100.00
DA EB GmbH	Nuremberg	100.00
DA Jupiter Wohnanlage GmbH	Düsseldorf	94.00 [1)]
DAIG 1. Objektgesellschaft mbH	Düsseldorf	100.00 [1)]
DAIG 12. Objektgesellschaft mbH	Düsseldorf	94.00 [1)]
DAIG 13. Objektgesellschaft mbH	Düsseldorf	94.00
DAIG 2. Objektgesellschaft mbH	Düsseldorf	100.00 [1)]
DAIG 3. Objektgesellschaft mbH	Düsseldorf	100.00 [1)]
DAIG 4. Objektgesellschaft mbH	Düsseldorf	100.00 [1)]
DELTA VIVUM Berlin I GmbH	Berlin	94.90 [1)]
DELTA VIVUM Berlin II GmbH	Berlin	94.90 [1)]
Deutsche Annington Acquisition Holding GmbH	Düsseldorf	100.00 [1)]
Deutsche Annington Beteiligungsverwaltungs GmbH	Düsseldorf	100.00 [1)]
Deutsche Annington DEWG GmbH & Co. KG	Bochum	100.00 [3)]
Deutsche Annington DEWG Verwaltungs GmbH	Düsseldorf	100.00
Deutsche Annington DMB Eins GmbH	Bochum	100.00
Deutsche Annington Fundus Immobiliengesellschaft mbH	Cologne	100.00
Deutsche Annington Fünfte Beteiligungsgesellschaft mbH	Düsseldorf	100.00
Deutsche Annington Haus GmbH	Kiel	100.00
Deutsche Annington Heimbau GmbH	Kiel	100.00
Deutsche Annington Holdings Drei GmbH	Bochum	100.00
Deutsche Annington Holdings Eins GmbH	Düsseldorf	100.00
Deutsche Annington Holdings Fünf GmbH	Düsseldorf	100.00 [1)]
Deutsche Annington Holdings Sechs GmbH	Bochum	100.00 [1)]
Deutsche Annington Holdings Vier GmbH	Düsseldorf	100.00 [1)]

Company	Company domicile	Interest %
Deutsche Annington Holdings Vier GmbH & Co. KG	Bochum	100.00 [3]
Deutsche Annington Holdings Zwei GmbH	Düsseldorf	100.00
Deutsche Annington Immobilien-Dienstleistungen GmbH	Düsseldorf	100.00 [1]
Deutsche Annington Interim DAMIRA GmbH	Düsseldorf	100.00
Deutsche Annington Kundenservice GmbH	Bochum	100.00 [1]
Deutsche Annington McKinley Eins GmbH & Co. KG	Bochum	100.00 [3]
Deutsche Annington McKinley Eins Verwaltungs GmbH	Düsseldorf	100.00
Deutsche Annington McKinley-Holding GmbH & Co. KG	Bochum	100.00 [3]
Deutsche Annington Rheinland Immobiliengesellschaft mbH	Cologne	100.00
Deutsche Annington Rhein - Ruhr GmbH & Co. KG	Bochum	100.00 [3]
Deutsche Annington Sechste Beteiligungs GmbH	Düsseldorf	100.00
Deutsche Annington WOGE Sieben Verwaltungs-GmbH	Düsseldorf	100.00
Deutsche Annington WOGE Vier Bestands GmbH & Co. KG	Bochum	100.00 [3]
Deutsche Annington WOGE Vier GmbH & Co. KG	Bochum	100.00 [3]
Deutsche Annington Wohnungsgesellschaft I mbH	Essen	100.00 [1]
Deutsche Annington Zweite Beteiligungsgesellschaft mbH	Düsseldorf	100.00
Deutsche Eisenbahn-Wohnungs-Gesellschaft mbH	Leipzig	100.00 [1]
Deutsche Multimedia Service GmbH	Düsseldorf	100.00 [1]
Deutsche TGS GmbH	Düsseldorf	100.00 [1]
Deutsche Wohnen Asset Immobilien GmbH	Frankfurt am Main	100.00 [1]
Deutsche Wohnen Berlin 5 GmbH	Berlin	94.90 [1]
Deutsche Wohnen Berlin 6 GmbH	Berlin	94.90 [1]
Deutsche Wohnen Berlin 7 GmbH	Berlin	94.90 [1]
Deutsche Wohnen Berlin I GmbH	Berlin	94.00 [1]
Deutsche Wohnen Berlin II GmbH	Berlin	94.90 [1]
Deutsche Wohnen Berlin III GmbH	Berlin	94.90 [1]
Deutsche Wohnen Berlin X GmbH	Berlin	94.80 [1]
Deutsche Wohnen Berlin XI GmbH	Berlin	94.80 [1]
Deutsche Wohnen Berlin XII GmbH	Berlin	94.80 [1]
Deutsche Wohnen Berlin XIII GmbH	Berlin	94.80 [1]
Deutsche Wohnen Berlin XIV GmbH	Berlin	94.80 [1]
Deutsche Wohnen Berlin XV GmbH	Berlin	94.80 [1]
Deutsche Wohnen Berlin XVI GmbH	Berlin	94.80 [1]
Deutsche Wohnen Berlin XVII GmbH	Berlin	94.80 [1]
Deutsche Wohnen Berlin XVIII GmbH	Berlin	94.80 [1]
Deutsche Wohnen Beteiligungen Immobilien GmbH	Frankfurt am Main	100.00 [1]
Deutsche Wohnen Beteiligungsverwaltungs GmbH & Co. KG	Berlin	100.00 [2, 3]
Deutsche Wohnen Care SE (former Youco B21-D425 Vorrats-SE)	Berlin	100.00
Deutsche Wohnen Construction and Facilities GmbH	Berlin	100.00 [1]
Deutsche Wohnen Corporate Real Estate GmbH	Berlin	100.00 [1]
Deutsche Wohnen Direkt Immobilien GmbH	Frankfurt am Main	100.00
Deutsche Wohnen Dresden I GmbH	Berlin	100.00 [1]
Deutsche Wohnen Dresden II GmbH	Berlin	100.00 [1]
Deutsche Wohnen Fondsbeteiligungs GmbH	Berlin	100.00 [1]
Deutsche Wohnen Immobilien Management GmbH	Berlin	100.00 [1]

Company	Company domicile	Interest %
Deutsche Wohnen Kundenservice GmbH	Berlin	100.00 [1)]
Deutsche Wohnen Management GmbH	Berlin	100.00 [1)]
Deutsche Wohnen Management- und Servicegesellschaft mbH	Frankfurt am Main	100.00 [1)]
Deutsche Wohnen Multimedia Netz GmbH	Berlin	100.00 [1)]
Deutsche Wohnen Reisholz GmbH	Berlin	100.00 [1)]
Deutsche Wohnen SE	Berlin	87.60
Deutsche Wohnen Technology GmbH	Berlin	100.00 [1)]
Deutsche Wohnen Zweite Fondsbeteiligungs GmbH	Berlin	100.00 [1)]
Deutsche Wohn-Inkasso GmbH	Bochum	100.00 [1)]
Diak-Nd Pflege-Altenheime Besitz GmbH	Berlin	100.00
DW Pflegeheim Dresden Grundstücks GmbH	Munich	100.00 [1)]
DW Pflegeheim Eschweiler Grundstücks GmbH	Munich	100.00 [1)]
DW Pflegeheim Frankfurt am Main Grundstücks GmbH	Munich	100.00 [1)]
DW Pflegeheim Friesenheim Grundstücks GmbH	Munich	100.00 [1)]
DW Pflegeheim Glienicke Grundstücks GmbH	Munich	100.00 [1)]
DW Pflegeheim Konz Grundstücks GmbH	Munich	100.00 [1)]
DW Pflegeheim Meckenheim Grundstücks GmbH	Munich	100.00 [1)]
DW Pflegeheim Potsdam Grundstücks GmbH	Munich	100.00
DW Pflegeheim Siegen Grundstücks GmbH	Munich	100.00 [1)]
DW Pflegeheim Weiden Grundstücks GmbH	Munich	100.00 [1)]
DW Pflegeheim Würselen Grundstücks GmbH	Munich	100.00 [1)]
DW Pflegeresidenzen Grundstücks GmbH	Munich	100.00
DW Property Invest GmbH	Berlin	100.00 [1)]
DWRE Alpha GmbH	Berlin	100.00 [1)]
DWRE Braunschweig GmbH	Berlin	100.00 [1)]
DWRE Dresden GmbH	Berlin	100.00 [1)]
DWRE Halle GmbH	Berlin	100.00 [1)]
DWRE Hennigsdorf GmbH	Berlin	100.00 [1)]
DWRE Leipzig GmbH	Berlin	100.00 [1)]
ecowo GmbH (former Vonovia Immobilien Treuhand GmbH)	Bochum	100.00 [1)]
Eisenbahn-Siedlungsgesellschaft Augsburg mbH (Siegau)	Augsburg	94.90
Eisenbahn-Siedlungs-Gesellschaft Berlin mit beschränkter Haftung	Berlin	94.90
Eisenbahn-Siedlungsgesellschaft Stuttgart, gemeinnützige Gesellschaft mit beschränkter Haftung	Stuttgart	94.87 [1)]
Eisenbahn-Wohnungsbau-Gesellschaft Karlsruhe GmbH	Karlsruhe	94.90
Eisenbahn-Wohnungsbaugesellschaft Köln mbH	Cologne	94.90
Eisenbahn-Wohnungsbaugesellschaft Nürnberg GmbH	Nuremberg	94.90
EMD Energie Management Deutschland GmbH	Berlin	100.00 [1)]
Eragon VV GmbH	Berlin	94.90 [1)]
FACILITA Berlin GmbH	Berlin	100.00
Faragon V V GmbH	Berlin	94.90 [1)]
Fjord Immobilien GmbH (former H&L Immobilien GmbH)	Kiel	94.90 [1)]
Fortimo GmbH	Berlin	100.00 [1)]
Franconia Invest 1 GmbH	Düsseldorf	94.90
Franconia Wohnen GmbH	Düsseldorf	94.90
Frankfurter Siedlungsgesellschaft mbH (FSG)	Düsseldorf	100.00 [1)]
FSG-Holding GmbH	Düsseldorf	94.80

Company	Company domicile	Interest %
GAG Grundstücksverwaltungs-GmbH	Berlin	94.90
GAGFAH Acquisition 1 GmbH	Bochum	94.80
GAGFAH Acquisition 2 GmbH	Bochum	94.80 [1]
GAGFAH Asset Management GmbH	Bochum	100.00 [1]
GAGFAH Dritte Grundbesitz GmbH	Bochum	94.80 [1]
GAGFAH Erste Grundbesitz GmbH	Bochum	94.80 [1]
GAGFAH GmbH	Bochum	94.90
GAGFAH Griffin GmbH	Bochum	94.90 [1]
GAGFAH Griffin Holding GmbH	Bochum	100.00 [1]
GAGFAH Hausservice GmbH	Essen	94.90 [1]
GAGFAH Holding GmbH	Bochum	100.00 [1]
GAGFAH M Immobilien-Management GmbH	Bochum	94.90
GAGFAH Zweite Grundbesitz GmbH	Bochum	94.80 [1]
GBH Acquisition GmbH	Bochum	94.80
GBH Service GmbH	Heidenheim an der Brenz	100.00
Gehag Acquisition Co. GmbH	Berlin	100.00
GEHAG Beteiligungs GmbH & Co. KG	Berlin	100.00 [2, 3]
GEHAG Dritte Beteiligungs GmbH	Berlin	100.00 [1]
GEHAG Erste Beteiligungs GmbH	Berlin	100.00 [1]
GEHAG Erwerbs GmbH & Co. KG	Berlin	99.99 [2]
GEHAG GmbH	Berlin	100.00
GEHAG Grundbesitz I GmbH	Berlin	100.00 [1]
GEHAG Grundbesitz II GmbH	Berlin	100.00 [1]
GEHAG Grundbesitz III GmbH	Berlin	100.00 [1]
GEHAG Vierte Beteiligung SE	Berlin	100.00 [1]
GEHAG Zweite Beteiligungs GmbH	Berlin	100.00 [1]
Geragon VV GmbH	Berlin	94.90 [1]
GGR Wohnparks Alte Hellersdorfer Straße GmbH	Berlin	100.00 [1]
GGR Wohnparks Kastanienallee GmbH	Berlin	100.00 [1]
GGR Wohnparks Nord Leipziger Tor GmbH	Berlin	100.00 [1]
GGR Wohnparks Süd Leipziger Tor GmbH	Berlin	100.00 [1]
Grundstücksgesellschaft Karower Damm mbH	Berlin	100.00 [1]
Grundwert Living GmbH	Berlin	100.00
GSW Acquisition 3 GmbH	Berlin	100.00 [1]
GSW Corona GmbH	Berlin	100.00 [1]
GSW Gesellschaft für Stadterneuerung mbH	Berlin	100.00
GSW Grundvermögens- und Vertriebsgesellschaft mbH	Berlin	100.00 [1]
GSW Immobilien AG	Berlin	94.20
GSW Immobilien GmbH & Co. Leonberger Ring KG	Berlin	94.00 [2]
GSW Pegasus GmbH	Berlin	100.00 [1]
GSW-Fonds Weinmeisterhornweg 170–178 GbR	Berlin	78.19
Hamburger Ambulante Pflege- und Physiotherapie "HAPP" GmbH	Hamburg	100.00
Hamburger Senioren Domizile GmbH	Hamburg	100.00
Haragon VV GmbH	Berlin	94.90 [1]
Haus- und Boden-Fonds 38	Essen	68.11
Haus und Heim Wohnungsbau-GmbH	Berlin	100.00 [1]

Company	Company domicile	Interest %
HESIONE Vermögensverwaltungsgesellschaft mbH	Frankfurt am Main	100.00
Holzmindener Straße/Tempelhofer Weg Grundstücks GmbH	Berlin	100.00 [1)]
HPE Hausbau GmbH	Zossen	94.90
HPE Sechste Hausbau Portfolio GmbH	Zossen	100.00
HPE Siebte Hausbau Portfolio GmbH	Berlin	100.00
HSI Hamburger Senioren Immobilien GmbH (former HSI Hamburger Senioren Immobilien GmbH & Co. KG)	Hamburg	100.00
HSI Hamburger Senioren Immobilien Management GmbH	Hamburg	100.00
HvD I Grundbesitzgesellschaft mbH	Berlin	100.00
IESA Immobilien Entwicklung Sachsen GmbH	Berlin	100.00
Immo Service Dresden GmbH	Dresden	100.00
Iragon VV GmbH	Berlin	94.90 [1)]
ISABELL GmbH	Berlin	100.00
ISARIA Dachau Entwicklungsgesellschaft mbH	Munich	100.00
ISARIA Hegeneck 5 GmbH	Munich	100.00
ISARIA Objekt Achter de Weiden GmbH	Munich	100.00
Isaria Objekt Erminoldstraße GmbH (former Blitz 20–700 GmbH)	Munich	100.00
ISARIA Objekt Garching GmbH	Munich	100.00
ISARIA Objekt Hoferstraße GmbH	Munich	100.00
ISARIA Objekt Norderneyer Straße GmbH	Munich	100.00
ISARIA Objekt Preußenstraße GmbH	Munich	100.00
ISARIA Objekt Schwedler Trio GmbH	Munich	100.00
ISARIA Stuttgart GmbH	Munich	100.00
IWA GmbH Immobilien Wert Anlagen	Munich	100.00
JANANA Grundstücksgesellschaft mbH & Co. KG	Grünwald	94.90
KADURA Grundstücksgesellschaft mbH & Co. KG	Grünwald	94.91
Karagon VV GmbH	Berlin	94.90 [1)]
KATHARINENHOF Seniorenwohn- und Pflegeanlage Betriebs-GmbH	Berlin	100.00
KATHARINENHOF Service GmbH	Berlin	100.00
Kieler Wohnungsbaugesellschaft mit beschränkter Haftung	Kiel	94.90 [1)]
KKS Projektentwicklung GmbH	Berlin	94.80
KWG Grundbesitz CI GmbH & Co. KG	Berlin	99.57
KWG Grundbesitz CIII GmbH & Co. KG	Berlin	92.00
KWG Grundbesitz I Verwaltungs GmbH	Berlin	100.00
KWG Grundbesitz III GmbH	Berlin	100.00
KWG Grundbesitz VI GmbH	Berlin	100.00
KWG Grundbesitz VII GmbH	Berlin	100.00
KWG Grundbesitz VIII GmbH	Berlin	100.00
KWG Grundbesitz X GmbH	Berlin	100.00
KWG Immobilien GmbH	Berlin	100.00
KWG Kommunale Wohnen GmbH	Berlin	94.08
Laragon VV GmbH	Berlin	94.90 [1)]
Larry I Targetco (Berlin) GmbH	Berlin	100.00 [1)]
Larry II Targetco (Berlin) GmbH	Berlin	100.00 [1)]
LebensWerk GmbH	Berlin	100.00
LEMONDAS Grundstücksgesellschaft mbH & Co. KG	Grünwald	94.90

Company	Company domicile	Interest %
LEVON Grundstücksgesellschaft mbH & Co. KG	Grünwald	94.90
Liegenschaften Weißig GmbH	Dresden	94.75
Main-Taunus Wohnen GmbH (former Main-Taunus Wohnen GmbH & Co. KG)	Eschborn	99.99
MAKANA Grundstücksgesellschaft mbH & Co. KG	Grünwald	94.90
MANGANA Grundstücksgesellschaft mbH & Co.KG	Grünwald	94.90
Maragon VV GmbH	Berlin	94.90 [1)]
MELCART Grundstücks-Verwaltungsgesellschaft mbH	Grünwald	94.80
MIRA Grundstücksgesellschaft mbH	Düsseldorf	94.90 [1)]
MIRIS Grundstücksgesellschaft mbH & Co. KG	Grünwald	94.90
Neues Schweizer Viertel Betriebs+Service GmbH & Co. KG	Berlin	94.99
NILEG Immobilien Holding GmbH	Hanover	100.00
NILEG Norddeutsche Immobiliengesellschaft mbH	Hanover	94.86
Objekt Gustav-Heinemann-Ring GmbH	Munich	100.00
Olympisches Dorf Berlin GmbH	Berlin	100.00
Omega Asset Invest GmbH	Berlin	100.00
Osnabrücker Wohnungsbaugesellschaft mit beschränkter Haftung	Osnabrück	94.09
PFLEGEN & WOHNEN HAMBURG GmbH	Hamburg	100.00
PFLEGEN & WOHNEN Service GmbH	Hamburg	100.00
PFLEGEN & WOHNEN Textil GmbH	Hamburg	100.00
PRIMA Wohnbauten Privatisierungs-Management GmbH	Berlin	100.00 [1)]
PUW AcquiCo GmbH	Hamburg	100.00
PUW OpCo GmbH	Hamburg	100.00
PUW PFLEGENUNDWOHNEN Beteiligungs GmbH	Hamburg	100.00
Rhein-Main Wohnen GmbH	Frankfurt am Main	100.00 [1)]
Rhein-Mosel Wohnen GmbH	Mainz	100.00 [1)]
Rhein-Pfalz Wohnen GmbH	Mainz	100.00 [1)]
RMW Projekt GmbH	Frankfurt am Main	100.00 [1)]
RPW Immobilien GmbH & Co. KG	Berlin	94.00 [2)]
RSTE Objektgesellschaft Wohnanlagen für Chemnitz mbH	Wuppertal	94.73
RVG Rheinauhafen-Verwaltungsgesellschaft mbH	Cologne	74.00
Schweizer Viertel Grundstücks GmbH	Berlin	94.74
SEED 1 GmbH	Berlin	100.00
Seniorenresidenz “Am Lunapark” GmbH	Leipzig	100.00
SGG Scharnweberstraße Grundstücks GmbH	Berlin	100.00 [1)]
“Siege” Siedlungsgesellschaft für das Verkehrspersonal mbH Mainz	Mainz	94.90
Sophienstraße Aachen Vermögensverwaltungsgesellschaft mbH	Berlin	100.00 [1)]
Stadtentwicklungsgesellschaft Buch mbH	Berlin	100.00
Süddeutsche Wohnen Gebäude GmbH	Stuttgart	100.00 [1)]
Süddeutsche Wohnen GmbH	Stuttgart	94.90 [1)]
Süddeutsche Wohnen Grundstücksgesellschaft mbH	Stuttgart	100.00 [1)]
Süddeutsche Wohnen Management Holding GmbH	Stuttgart	100.00 [1)]
SÜDOST WOBA DRESDEN GMBH	Dresden	94.90
SWG Siedlungs- und Wohnhausgesellschaft Sachsen GmbH	Berlin	100.00
SYNVIA energy GmbH	Magdeburg	74.90
SYNVIA media GmbH	Magdeburg	100.00

Company	Company domicile	Interest %
SYNVIA mobility GmbH	Magdeburg	74.90
SYNVIA technology GmbH	Magdeburg	100.00
TELE AG	Leipzig	100.00
Tempelhofer Feld GmbH für Grundstücksverwertung	Kiel	94.90
Viterra Holdings Eins GmbH	Düsseldorf	100.00 [1)]
Viterra Holdings Zwei GmbH	Düsseldorf	100.00 [1)]
Vonovia Dritte Berlin GmbH	Schönefeld	94.90 [1)]
Vonovia Eigentumsservice GmbH	Bochum	100.00 [1)]
Vonovia Eigentumsverwaltungs GmbH	Bochum	100.00 [1)]
Vonovia Elbe Berlin II GmbH	Nuremberg	94.90
Vonovia Elbe Berlin III GmbH	Nuremberg	94.90
Vonovia Elbe Berlin IV GmbH	Nuremberg	94.90
Vonovia Elbe Berlin VI GmbH	Nuremberg	94.90
Vonovia Elbe Dresden I GmbH	Nuremberg	94.90
Vonovia Elbe GmbH	Nuremberg	94.90
Vonovia Elbe Ost GmbH	Nuremberg	94.90
Vonovia Elbe Wannsee I GmbH	Nuremberg	94.90
Vonovia Elbe Wohnen GmbH	Bochum	100.00
Vonovia Energie Service GmbH	Bochum	100.00 [1)]
Vonovia Engineering GmbH	Bochum	100.00 [1)]
Vonovia Immobilienmanagement GmbH	Bochum	100.00 [1)]
Vonovia Immobilienmanagement one GmbH	Frankfurt am Main	94.90 [1)]
Vonovia Immobilienmanagement two GmbH	Frankfurt am Main	94.90 [1)]
Vonovia Immobilienservice GmbH	Munich	100.00 [1)]
Vonovia Kundenservice GmbH	Bochum	100.00 [1)]
Vonovia Managementverwaltung GmbH	Nuremberg	100.00 [1)]
Vonovia Mess Service GmbH	Essen	100.00 [1)]
Vonovia Modernisierungs GmbH	Düsseldorf	100.00 [1)]
Vonovia Operations GmbH	Bochum	100.00 [1)]
Vonovia Pro Bestand Nord GmbH	Bochum	100.00
Vonovia Pro Bestand Nord Invest GmbH	Bochum	94.90
Vonovia Pro Bestand Nord Properties GmbH	Bochum	94.90
Vonovia Pro Bestand Nord Real Estate GmbH	Bochum	94.90
Vonovia Technischer Service Nord GmbH	Essen	100.00 [1)]
Vonovia Technischer Service Süd GmbH	Dresden	100.00
Vonovia Wohnumfeld Service GmbH	Düsseldorf	100.00 [1)]
WIK Wohnen in Krampnitz GmbH	Berlin	100.00 [1)]
WOBA DRESDEN GMBH	Dresden	100.00
WOBA HOLDING GMBH	Dresden	100.00
Wohnanlage Leonberger Ring GmbH	Berlin	100.00 [1)]
WOHNBAU NORDWEST GmbH	Dresden	94.90
Wohnumfeld Hausservice GmbH (former Deutsche Annington WOGE Sechs Verwaltungs GmbH)	Bochum	100.00 [1)]
Wohnungsbau Niedersachsen Gesellschaft mit beschränkter Haftung	Hanover	94.85
Wohnungsgesellschaft Norden mit beschränkter Haftung	Hanover	94.88
Wohnungsgesellschaft Ruhr-Niederrhein mbH Essen	Essen	94.90
Zisa Grundstücksbeteiligungs GmbH & Co. KG	Berlin	94.90 [2)]

Company	Company domicile	Interest %
Zisa Verwaltungs GmbH	Berlin	100.00
Zweite GSW Verwaltungs- und Betriebsgesellschaft mbH	Berlin	100.00
Austria		
Anton Baumgartner-Straße 125, 1230 Wien, Besitz GmbH	Vienna	100.00
Brunn am Gebirge Realbesitz GmbH	Vienna	100.00
BUWOG - Bauen und Wohnen Gesellschaft mbH	Vienna	100.00
BUWOG - Penzinger Straße 76 GmbH	Vienna	100.00
BUWOG - Projektholding GmbH	Vienna	100.00
BUWOG - PSD Holding GmbH	Vienna	100.00
BUWOG Altprojekte GmbH	Vienna	100.00
BUWOG Baranygasse 7 GmbH	Vienna	100.00
BUWOG Bernreiterplatz 13 GmbH	Vienna	100.00
BUWOG Beteiligungs GmbH	Vienna	100.00
BUWOG Breitenfurterstraße 239 GmbH	Vienna	100.00
BUWOG Breitenfurterstraße Eins, GmbH & Co KG	Vienna	100.00
BUWOG Bruno-Marek-Allee 22 GmbH & Co KG	Vienna	100.00
BUWOG cw Dienstleistung Holding GmbH	Vienna	100.00
BUWOG cw Handelsges.m.b.H.	Vienna	100.00
BUWOG cw Invest GmbH	Vienna	100.00
BUWOG cw Neubaubesitz GmbH	Vienna	100.00
"BUWOG cw SECURITISATION" Holding GmbH	Vienna	100.00
BUWOG Demophon Immobilienvermietungs GmbH	Vienna	100.00
BUWOG Diesterweggasse 27 GmbH	Vienna	100.00
BUWOG Diesterweggasse 27 GmbH & Co KG	Vienna	100.00
BUWOG Döblerhofstraße GmbH	Vienna	100.00
BUWOG Gewerbeimmobilien Eins GmbH	Vienna	100.00
BUWOG Gewerbeimmobilien Zwei GmbH	Vienna	100.00
BUWOG Group GmbH	Vienna	100.00
BUWOG Handelskai 346 GmbH	Vienna	100.00
BUWOG Heiligenstädter Lände 29 GmbH	Vienna	100.00
BUWOG Heiligenstädter Lände 29 GmbH & Co KG	Vienna	100.00
BUWOG Himberger Straße GmbH	Vienna	100.00
BUWOG Holding GmbH	Vienna	100.00
BUWOG Laaer-Berg-Straße 45 GmbH (former PI Immobilien GmbH)	Vienna	100.00
BUWOG Linke Wienzeile 280 GmbH	Vienna	100.00
BUWOG Pfeiffergasse 3–5 GmbH	Vienna	100.00
BUWOG Projektentwicklung GmbH	Vienna	100.00
BUWOG Rathausstraße GmbH	Vienna	100.00
BUWOG Schweidlgasse 30 GmbH & Co KG	Vienna	100.00
BUWOG Seeparkquartier GmbH	Vienna	100.00
BUWOG Seeparkquartier Holding GmbH	Vienna	100.00
BUWOG Süd GmbH	Villach	99.98
CENTUM Immobilien GmbH	Vienna	100.00
Con Tessa Immobilienverwertung GmbH	Vienna	100.00
Con value one Immobilien GmbH	Vienna	100.00
CWG Beteiligungs GmbH	Vienna	100.00

Company	Company domicile	Interest %
DATAREAL Beteiligungsgesellschaft m.b.H. & Co. Gablenzgasse 60 KG	Vienna	100.00
DATAREAL Beteiligungsgesellschaft m.b.H.& Co. Heiligenstädter Straße 9 OG	Vienna	100.00
EBI Beteiligungen GmbH	Vienna	100.00
EBI Beteiligungen GmbH & Co, 1190 Wien, Rampengasse 3–5, KG	Vienna	100.00
EB Immobilien Invest GmbH	Vienna	100.00
ECO Anteilsverwaltungs GmbH	Vienna	100.00
ECO Business-Immobilien GmbH	Vienna	100.00
ECO Business-Immobilien-Beteiligungen GmbH	Vienna	100.00
ECO CEE & Real Estate Besitz GmbH	Vienna	100.00
ECO Eastern Europe Real Estate GmbH	Vienna	100.00
ECO Immobilien Verwertungs GmbH	Vienna	100.00
"Epssilon" Altbau GmbH	Vienna	100.00
"Epssilon" Meidlinger Hauptstr.27 Liegenschaftsverwaltungs GmbH	Vienna	100.00
"G1" Immobilienbesitz GmbH	Vienna	100.00
GENA SECHS Immobilienholding GmbH	Vienna	100.00
GENA ZWEI Immobilienholding GmbH	Vienna	100.00
Gewerbepark Urstein Besitz GmbH	Vienna	100.00
Gewerbepark Urstein Besitz GmbH & Co KG	Vienna	100.00
GGJ Beteiligungs GmbH	Vienna	100.00
GGJ Beteiligungs GmbH & Co Projekt Drei OG	Vienna	100.00
GGJ Beteiligungs GmbH & Co Projekt Eins OG	Vienna	100.00
GGJ Beteiligungs GmbH & Co Projekt Fünf OG	Vienna	100.00
GGJ Beteiligungs GmbH & Co Projekt Zehn OG	Vienna	100.00
GGJ Beteiligungs GmbH & Co Projekt Zwei OG	Vienna	100.00
GJ-Beteiligungs GmbH	Vienna	100.00
GJ-Beteiligungs GmbH & Co Projekt Fünf OG	Vienna	100.00
"GKHK" Handelsgesellschaft m.b.H.	Vienna	100.00
G-Unternehmensbeteiligung GmbH	Vienna	100.00
"Heller Fabrik" Liegenschaftsverwertungs GmbH	Vienna	100.00
Hertha-Firnberg-Straße 10, 1100 Wien, Immobilienbesitz GmbH	Vienna	100.00
Kapital & Wert Immobilienbesitz GmbH	Vienna	100.00
Lithinos Immobilien Invest GmbH	Vienna	100.00
Mariahilferstraße 156 Invest GmbH	Vienna	100.00
MARINADECK Betriebs GmbH	Vienna	100.00
MARINA TOWER Holding GmbH	Vienna	51.00
"MEZ" - Vermögensverwaltungs Gesellschaft m.b.H. (in Liquidation)	Vienna	100.00
RESAG Property Management GmbH (in Liquidation)	Vienna	100.00
REVIVA Immobilien GmbH	Vienna	100.00
RG Immobilien GmbH	Vienna	100.00
Roßauer Lände 47–49 Liegenschaftsverwaltungs GmbH	Vienna	100.00
Stubenbastei 10 und 12 Immobilien GmbH	Vienna	100.00
Themelios Immobilien Invest GmbH	Vienna	100.00
TP Besitz GmbH	Vienna	100.00
TPI Immobilien Holding GmbH	Vienna	100.00
TPI Tourism Properties Invest GmbH	Vienna	96.00
"TPW" Immobilien GmbH	Vienna	100.00
T-Unternehmensbeteiligung GmbH	Vienna	100.00

Company	Company domicile	Interest %
Verein "Social City" - Verein zur Förderung der sozialen Kontakte und der sozialen Infrastruktur in Stadterneuerungsgebieten	Vienna	100.00
WZH WEG Besitz GmbH	Vienna	100.00
Sweden		
Bosystem TM AB	Stockholm	100.00
Bronseri Aktiebolag	Eskilstuna	100.00
D. Carnegie & Co AB	Stockholm	100.00
Fastighets AB Bonden	Stockholm	100.00
Fastighets AB Brunteglet	Stockholm	100.00
Fastighets AB Läraren i Strängnäs	Stockholm	100.00
Fastighets AB Träbalkongen	Stockholm	100.00
Fastighetsbolaget Erganten AB	Eskilstuna	100.00
Fastighetsbolaget Lärdom AB	Eskilstuna	100.00
Fastighetsbolaget Vaksam 8 AB	Eskilstuna	100.00
Fastighetsbolaget VP AB	Malmö	100.00
Fastighetsförvaltningsaktiebolaget Friheten 11, Eskilstuna	Eskilstuna	100.00
Graflunds Fastighets Aktiebolag	Eskilstuna	100.00
Graflunds Holding AB	Stockholm	100.00
Graflunds Kommersiella Fastigheter AB	Eskilstuna	100.00
Hembla Servicecenter AB	Stockholm	100.00
Holmiensis Bostäder II AB	Stockholm	100.00
HomeStar InvestCo AB	Malmö	100.00
Hyresbostäder Grevgatan 20 Zenithegie AB	Stockholm	100.00
Hyresbostäder Industrivägen 19 Zenithegie AB	Stockholm	100.00
Hyresbostäder Järnvägsgatan 28 AB	Stockholm	100.00
Hyresbostäder Nynäsvägen 24 och 26 AB	Stockholm	100.00
Hyresbostäder Nynäsvägen 27 AB	Stockholm	100.00
Kattgun Aktiebolag	Eskilstuna	100.00
Märtuna I AB	Stockholm	100.00
Östgötafastigheter Gavotten 1 AB	Stockholm	100.00
Östgötafastigheter Hambon 1 AB	Stockholm	100.00
Östgötafastigheter Hambon 2 AB	Stockholm	100.00
Östgötafastigheter i Norrköping AB	Norrköping	100.00
Östgötafastigheter Kadriljen 1 AB	Stockholm	100.00
Östgötafastigheter Mazurkan 1 AB	Stockholm	100.00
Östgötafastigheter Menuetten 1 AB	Stockholm	100.00
Östgötafastigheter Tangon 1 AB	Stockholm	100.00
Östgötaporten AB	Stockholm	100.00
Östgötatornen AB	Stockholm	100.00
Provinsfastigheter I Magasinet 4 AB	Stockholm	100.00
Provinsfastigheter I Stallet 3 AB	Stockholm	100.00
Provinsfastigheter I Vedboden 1 AB	Stockholm	100.00
Victoriahem AB	Malmö	100.00
Victoriahem Alby AB	Stockholm	100.00
Victoriahem Albyberget AB	Stockholm	100.00
Victoriahem Anelk AB	Stockholm	100.00

Company	Company domicile	Interest %
Victoriahem Arboga AB	Stockholm	100.00
Victoriahem Beethoven I AB	Malmö	100.00
Victoriahem Beethoven III AB	Malmö	100.00
Victoriahem Bergen 1 KB	Stockholm	100.00
Victoriahem Bergen II AB	Stockholm	100.00
Victoriahem Bergsjön AB	Malmö	100.00
Victoriahem Björkriset AB (former AB Nerke Holding 411)	Malmö	100.00
Victoriahem Boliger AB	Malmö	100.00
Victoriahem Bollvägen AB	Stockholm	100.00
Victoriahem Borås AB	Malmö	100.00
Victoriahem Borg AB	Stockholm	100.00
Victoriahem Brandbergen NO AB	Malmö	100.00
Victoriahem Bredbykvarn AB	Stockholm	100.00
Victoriahem Bredbykvarn Garage AB	Stockholm	100.00
Victoriahem Bromsten AB	Stockholm	100.00
Victoriahem Bygg och Projekt AB	Malmö	100.00
Victoriahem Duvholmen 1 AB	Stockholm	100.00
Victoriahem Eskilstuna Bostad AB	Eskilstuna	100.00
Victoriahem Eskilstuna Skiftinge AB	Malmö	100.00
Victoriahem Fastigheter AB	Malmö	100.00
Victoriahem Fastigheter Göteborg AB	Malmö	100.00
Victoriahem Fornhöjden AB	Stockholm	100.00
Victoriahem Gulsparven AB	Malmö	100.00
Victoriahem Holding Eskilstuna AB	Malmö	100.00
Victoriahem Holding Karlskrona AB	Malmö	100.00
Victoriahem Holding Kristianstad AB	Malmö	100.00
Victoriahem Holding Lövgärdet AB	Malmö	100.00
Victoriahem Holding Nyköping AB	Malmö	100.00
Victoriahem Holding Örebro AB	Malmö	100.00
Victoriahem Holding Rosengård AB	Malmö	100.00
Victoriahem Holding Tensta AB	Malmö	100.00
Victoriahem Holding Växjö AB	Malmö	100.00
Victoriahem Holmiensis Bostäder AB	Stockholm	100.00
Victoriahem Holmiensis II AB	Stockholm	100.00
Victoriahem Huddinge Fyra AB	Stockholm	100.00
Victoriahem Husby Sollentuna AB	Stockholm	100.00
Victoriahem i Söderort AB	Stockholm	100.00
Victoriahem i Sverige Fyra AB	Stockholm	100.00
Victoriahem i Sverige II AB	Stockholm	100.00
Victoriahem i Sverige III AB	Stockholm	100.00
Victoriahem i Sverige V AB	Stockholm	100.00
Victoriahem Inanis Alba I AB	Stockholm	100.00
Victoriahem Inanis Alba II AB	Stockholm	100.00
Victoriahem Inanis Holdco AB	Stockholm	100.00
Victoriahem Järna AB	Stockholm	100.00
Victoriahem Jordbro AB	Stockholm	100.00
Victoriahem Jordbro Västra KB	Stockholm	100.00

Company	Company domicile	Interest %
Victoriahem Karlskrona AB	Malmö	100.00
Victoriahem Katrineholm AB	Stockholm	100.00
Victoriahem Kista Förvaltning AB	Stockholm	100.00
Victoriahem Kista Kommandit AB	Stockholm	100.00
Victoriahem Klena KB	Stockholm	100.00
Victoriahem Köping AB	Stockholm	100.00
Victoriahem Kristianstad AB	Malmö	100.00
Victoriahem Kullerstensvägen AB	Stockholm	100.00
Victoriahem Linnean AB	Stockholm	100.00
Victoriahem Linrepan AB	Stockholm	100.00
Victoriahem Living AB	Malmö	100.00
Victoriahem Lövgärdet Ctr KB	Malmö	100.00
Victoriahem Lövgärdet HB	Malmö	100.00
Victoriahem Malmö Centrum AB	Malmö	100.00
Victoriahem Markaryd AB	Malmö	100.00
Victoriahem Mozart AB	Malmö	100.00
Victoriahem Mozart Fastighets AB	Malmö	100.00
Victoriahem M-ryd Holding AB	Stockholm	100.00
Victoriahem M-ryd Södertälje AB	Södertälje	100.00
Victoriahem Myran Södertälje AB	Stockholm	100.00
Victoriahem Nidarosgatan KB	Stockholm	100.00
Victoriahem Nordkapsgatan KB	Stockholm	100.00
Victoriahem Norrköping Hageby AB	Stockholm	100.00
Victoriahem Nyfors City AB	Stockholm	100.00
Victoriahem Nygård AB	Malmö	100.00
Victoriahem Nyköping AB	Malmö	100.00
Victoriahem NYKR AT AB	Stockholm	100.00
Victoriahem NYKR FH AB	Stockholm	100.00
Victoriahem NYKR Holdco AB	Stockholm	100.00
Victoriahem Nyproduktion AB	Stockholm	100.00
Victoriahem Ösmo AB	Stockholm	100.00
Victoriahem Ostbrickan AB	Malmö	100.00
Victoriahem Polhemsgatan 3 AB	Stockholm	100.00
Victoriahem Renen AB	Stockholm	100.00
Victoriahem Rinkeby AB	Stockholm	100.00
Victoriahem Ronna AB	Stockholm	100.00
Victoriahem Rosengård AB	Malmö	100.00
Victoriahem Sågenvägen AB	Stockholm	100.00
Victoriahem Servicecenter AB (former Victoria Park Beethoven II AB)	Malmö	100.00
Victoriahem Söderby 23 AB	Malmö	100.00
Victoriahem Söderby 68 AB	Malmö	100.00
Victoriahem Sten AB	Stockholm	100.00
Victoriahem Strängnäs AB	Stockholm	100.00
Victoriahem Svart AB	Stockholm	100.00
Victoriahem Tallriset AB	Malmö	100.00
Victoriahem Telemark KB	Stockholm	100.00

Company	Company domicile	Interest %
Victoriahem Tensta AB	Malmö	100.00
Victoriahem Tönsbergsgatan KB	Stockholm	100.00
Victoriahem Tranås AB	Stockholm	100.00
Victoriahem Tranås Två HB	Malmö	100.00
Victoriahem Trojeborgsfastigheter AB	Stockholm	100.00
Victoriahem Turbinen och Zenith VI AB	Stockholm	100.00
Victoriahem Uppsala Bro Märsta AB	Upplands-Bro	100.00
Victoriahem Uthyrning Tranås AB	Stockholm	100.00
Victoriahem Valsätra Galaxen AB	Stockholm	100.00
Victoriahem Våmmedal AB	Malmö	100.00
Victoriahem Varberga AB	Malmö	100.00
Victoriahem Vårby Visättra AB	Stockholm	100.00
Victoriahem Västerås AB	Stockholm	100.00
Victoriahem Växjö AB	Malmö	100.00
Victoriahem Veningen AB	Stockholm	100.00
Victoriahem Visättrahem AB	Stockholm	100.00
Victoriahem Vitsippan AB	Stockholm	100.00
Victoriahem Vivaldi I AB	Malmö	100.00
Victoriahem Vivaldi II AB	Malmö	100.00
Victoriahem Vivaldi III AB	Malmö	100.00
Victoriahem Vivaldi IV AB	Malmö	100.00
Victoriahem Vivaldi V AB	Malmö	100.00
Victoriahem Zenithegie I AB	Stockholm	100.00
Victoriahem Zenithegie II AB	Stockholm	100.00
Victoriahem Zenithegie III AB	Stockholm	100.00
Victoriahem Zenithegie IV AB	Stockholm	100.00
Victoriahem Zenithegie V AB	Stockholm	100.00
Victoriahem Zenithegie VI AB	Stockholm	100.00
Victoria Park Almen 17 AB	Malmö	100.00
Victoria Park Cedern 18 AB	Malmö	100.00
Victoria Park Eskil Ctr AB	Malmö	100.00
Victoria Park Fröslunda AB	Malmö	100.00
Victoria Park Haren 10 AB	Malmö	100.00
Victoria Park Holding Växjö Magistern AB	Malmö	100.00
Victoria Park Malmen 14 AB	Malmö	100.00
Victoria Park Myran 30 AB	Malmö	100.00
Victoria Park Myrtorp AB	Malmö	100.00
Victoria Park Råbergstorp AB	Malmö	100.00
Victoria Park Söderby 43 AB	Malmö	100.00
Victoria Park Söderby 51 AB	Malmö	100.00
Victoria Park Stenby AB	Malmö	100.00
Victoria Park Valfisken Större 28 AB	Malmö	100.00
Victoria Park Växjö Magistern AB	Malmö	100.00
Victoria Park Vivaldi VI AB	Malmö	100.00

Company	Company domicile	Interest %
Other Countries		
Algarobo Holding B.V.	Baarn/NL	100.00
BUWOG High Deck Residential B.V.	Amsterdam/NL	94.90
Buwog Lux I S.à r.l.	Esch-sur-Alzette/LU	94.00
BUWOG Wohnwerk S.A.	Luxembourg/LU	94.84
DA DMB Netherlands B.V.	Eindhoven/NL	100.00
DA Jupiter NL JV Holdings 1 B.V.	Amsterdam/NL	100.00
DAIG 10. Objektgesellschaft B.V.	Amsterdam/NL	94.44
DAIG 11. Objektgesellschaft B.V.	Amsterdam/NL	94.44
DAIG 14. Objektgesellschaft B.V.	Amsterdam/NL	94.44
DAIG 15. Objektgesellschaft B.V.	Amsterdam/NL	94.44
DAIG 16. Objektgesellschaft B.V.	Amsterdam/NL	94.44
DAIG 17. Objektgesellschaft B.V.	Amsterdam/NL	94.44
DAIG 18. Objektgesellschaft B.V.	Amsterdam/NL	94.44
DAIG 19. Objektgesellschaft B.V.	Amsterdam/NL	94.44
DAIG 20. Objektgesellschaft B.V.	Amsterdam/NL	94.44
DAIG 21. Objektgesellschaft B.V.	Amsterdam/NL	94.44
DAIG 22. Objektgesellschaft B.V.	Amsterdam/NL	94.44
DAIG 23. Objektgesellschaft B.V.	Amsterdam/NL	94.44
DAIG 24. Objektgesellschaft B.V.	Amsterdam/NL	94.44
DAIG 25. Objektgesellschaft B.V.	Amsterdam/NL	94.44
DAIG 9. Objektgesellschaft B.V.	Amsterdam/NL	94.44
Long Islands Investments S.A.	Luxembourg/LU	100.00
Vonovia Finance B.V.	Amsterdam/NL	100.00
VONOVIA FRANCE SAS	Paris/FR	100.00
Affiliated companies not consolidated		
BOKRÉTA Management Kft.	Budapest/HU	100.00
IMMO-ROHR PLUSZ Kft.	Budapest/HU	100.00
My-Box Debrecen Inglatian-Fejlesztö Kft Cg.	Budapest/HU	100.00
Companies with which joint activity is excercised		
Planungsgemeinschaft “Das-Neue-Gartenfeld” GmbH & Co. KG	Berlin/DE	38.44
Planungsgemeinschaft “Das-Neue-Gartenfeld” Verwaltungs GmbH	Berlin/DE	38.44

Company	Company domicile	Interest %
Joint ventures consolidated using the equity method		
B & O Service Berlin GmbH	Berlin/DE	24.94
Casa Nova GmbH	Grünwald/DE	50.00
Casa Nova 2 GmbH	Grünwald/DE	50.00
Casa Nova 3 GmbH	Grünwald/DE	50.00
Deutsche KIWI.KI GmbH	Berlin/DE	49.00
DWA Beteiligungsgesellschaft mbH	Berlin/DE	50.00
Funk Schadensmanagement GmbH	Berlin/DE	49.00
G+D Gesellschaft für Energiemanagement mbH	Magdeburg/DE	49.00
GSZ Gebäudeservice und Sicherheitszentrale GmbH	Berlin/DE	33.33
IOLITE IQ GmbH	Berlin/DE	33.33
LE Property 2 GmbH & Co. KG	Leipzig/DE	49.00
LE Quartier 1 GmbH & Co. KG	Leipzig/DE	46.50
LE Quartier 1.1 GmbH & Co. KG	Leipzig/DE	49.00
LE Quartier 1.4 GmbH	Leipzig/DE	50.00
LE Quartier 1.5 GmbH	Leipzig/DE	44.00
LE Quartier 1.6 GmbH	Leipzig/DE	50.00
LE Quartier 5 GmbH & Co. KG	Leipzig/DE	44.00
MARINA CITY Entwicklungs GmbH	Vienna/AT	50.00
OLYDO Projektentwicklungsgesellschaft mbH	Berlin/DE	50.00
Othermo GmbH	Alzenau/DE	24.00
Projektgesellschaft Jugendstilpark München mbH	Leipzig/DE	50.00
Schaeffler-Areal 1. Liegenschaften GmbH	Bad Heilbrunn/DE	30.00
Schaeffler-Areal 2. Liegenschaften GmbH (in Liquidation)	Bad Heilbrunn/DE	30.00
Siwoge 1992 Siedlungsplanung und Wohnbauten Gesellschaft mbH, Berlin	Berlin/DE	50.00
Telekabel Riesa GmbH	Riesa/DE	26.00
WB Wärme Berlin GmbH	Schönefeld/DE	49.00
Associated companies consolidated using the equity method		
Comgy GmbH	Berlin/DE	10.47
KIWI.KI GmbH	Berlin/DE	21.11
Krampnitz Energie GmbH	Potsdam/DE	25.10
Malmö Mozart Fastighets AB	Malmö/SE	41.89
QUARTERBACK Immobilien AG	Leipzig/DE	40.00
Rosengård Fastighets AB	Malmö/SE	25.00
Zisa Beteiligungs GmbH	Berlin/DE	49.00

[1] Exemption according to Section 264 (3) HGB.
[2] Exemption according to Section 264b HGB.
[3] The unlimited liable shareholder of this company is a company which is integrated in the financial consolidated statement.

	Company domicile	Interest %	Equity € k Dec. 31, 2020	Net income for the year € k Dec. 31, 2020
Other investments with more than 10% of Vonovia's share in the capital				
Entwicklungsgesellschaft Erfurt-Süd Am Steiger mbH	Schwartzatal/DE	11.00	-115	-110
Erste JVS Real Estate Verwaltungs GmbH	Berlin/DE	11.00	-143	-40
Füchse Berlin Handball GmbH	Berlin/DE	18.60	283	-182 [4]
GLB Projekt 7 S.à r.l.	Luxembourg/LU	11.00	1,127	-385 [1]
Hellerhof GmbH	Frankfurt am Main/DE	13.17	91,828	10,431
Implementum II GmbH	Grevenbroich/DE	11.00	-307	-152
LE Central Office GmbH	Leipzig/DE	11.00	64	-20
QUARTERBACK Premium 1 GmbH (vormals: MCG blueorange Projekt 1 GmbH)	Berlin/DE	11.00	-76	-219
QUARTERBACK Premium 4 GmbH (vormals: LEB Bestand 5 GmbH)	Leipzig/DE	11.00	13	-8
QUARTERBACK Premium 10 GmbH (vormals: SQUADRA Erste Immobiliengesellschaft mbH)	Frankfurt am Main/DE	11.00	-7,351	-3,052
Quartier 315 GmbH	Leipzig/DE	15.00	5,013	-22
Roobeo GmbH	Berlin/DE	17.19	88	-1,706
Sea View Projekt GmbH	Leipzig/DE	11.00	5,581	351
Seniorenwohnen Heinersdorf GmbH	Berlin/DE	10.10	13	-9 [3]
VBW Bauen und Wohnen GmbH	Bochum/DE	19.87	114,446	7,071
VRnow GmbH	Berlin/DE	10.00	78	-186 [2]
WasE-2 GmbH	Offenbach/DE	11.00	-843	235
Westside Living GmbH	Leipzig/DE	11.00	-353	-3
WirMag GmbH	Grünstadt/DE	14.85	1,239	-646 [3]
Zuckerle Quartier Investment S.à r.l.	Luxembourg/LU	11.00	-14	-20

[1] Equity and net income/loss comply with local GAAP.
[2] Equity and net income/loss are conform to December 31, 2017.
[3] Equity and net income/loss are conform to December 31, 2019.
[4] Equity and net income/loss are conform to June 30, 2020.

Further Information About the Bodies

Management Board

The Management Board of Vonovia SE consisted of four members as of December 31, 2021 and five members effective January 1, 2022.

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.

Area of responsibility as of January 1, 2022: transactions, general counsel, investor relations, HR management, auditing, corporate communications, sustainability/strategy and healthcare.

Appointments:
> Kötter Group (Member of the Council of Shareholders)[2]
> Apleona GmbH (Member of the Supervisory Board and Member of the Shareholder Board)[2]

Arnd Fittkau, Member of the Management Board

Function: Chief Rental Officer
Responsible for: Rental segment with 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]

Philip Grosse, Member of the Management Board (as of January 1, 2022)

Function: Chief Financial Officer
Responsible for: accounting, controlling, finance, valuation & portfolio controlling as well as taxes.

Appointments:
> GSW Immobilien AG (Chairman of the Supervisory Board)[3, 5]
> Eisenbahn-Siedlungs-Gesellschaft Berlin mbH (Chairman of the Supervisory Board)[2, 4]
> QUARTERBACK Immobilien AG (Member of the Supervisory Board)[1, 6]

Daniel Riedl, Member of the Management Board

Function: Chief Development Officer
Responsible for: development in Austria, development in Germany and operating property management business in Austria.

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.

Role as of January 1, 2022: Chief Transformation Officer
Area of responsibility as of January 1, 2022: Value-add (incl. insurance), IT and procurement as well as condominium administration and the management of properties for third parties.

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, 5]
> Vonovia Finance B.V. (Member of the Supervisory Board)[2, 4]
> Deutsche Wohnen SE (Chairwoman of the Supervisory Board) since January 2, 2022[3, 5]

[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.
[5] Listed.
[6] Related party of the Deutsche Wohnen Group.

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:
> 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), as of January 2022, self-employed management consultant

Appointments:
> METRO AG (Member of the Supervisory Board)[1, 5]
> TUI AG (Member of the Supervisory Board)[1, 5]

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, as of February 2022, Partner of Wess Kux Kispert & Eckert Rechtsanwalts 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 (Deputy 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, 5]
> TAKKT AG (Member of the Supervisory Board)[3, 5]

Dr. Ute Geipel-Faber

Self-employed management consultant

Appointment:
> 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 Supervisory Board)[2]

Hildegard Müller

President of the German Association of the Automotive Industry (VDA)

Appointments:
> Siemens Energy AG (Member of the Supervisory Board)[1, 5]
> 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

Dr. Ariane Reinhart

Member of the Management Board of Continental AG[5]

Clara-Christina Streit

Self-employed management consultant

Appointments:
> NN Group N.V. (Member of the Supervisory Board)[2, 5]
> Jerónimo Martins SGPS S.A. (Member of the Administrative Board)[2, 5]
> Vontobel Holding AG (Member of the Administrative Board)[2, 5]
> Deutsche Börse AG (Member of the Supervisory Board)[1, 5]

Christian Ulbrich

President and Chief Executive Officer Jones Lang LaSalle Incorporated[5]

[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.
[5] Listed.

Independent Auditor's Report

To Vonovia SE, Bochum

Report on the audit of the consolidated financial statements and 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 at December 31, 2021, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from January 1 to December 31, 2021, and the 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, 2021. We have not audited the content of the components of the combined management report listed in the "Other Information" section of our auditor's report in accordance with German legal requirements.

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 at December 31, 2021, and of its financial performance for the financial year from January 1 to December 31, 2021 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 opinions on the combined management report do not cover the content of the components of the combined management report listed in the "Other Information" section.

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 consolidated financial statements and 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 the Regulation (EU) (No. 537/2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC; hereinafter referred to as Regulation (EU) No. 537/2014") and the German Generally Accepted Standards of Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). We also audited the consolidated financial statements in accordance with the International Standards on Auditing (ISA). 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, pursuant to Article 10 (2) (f) Regulation (EU) No. 537/2014 we declare that we have not provided any prohibited non-audit services in accordance with Article 5 (1) Regulation (EU) No. 537/2014. 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.

Particularly Important Audit Issues in the Audit of the Consolidated Financial Statements

Particularly important audit issues are issues that, in our professional judgment, were the most significant in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2021. In the context of our audit of the consolidated financial statements and when forming our opinions, these issues were addressed as a whole; we do not issue any separate audit opinions on these issues.

Valuation of investment properties

See notes to the consolidated financial statements items 13 and 28 and the section on opportunities and risks in the combined management report.

Risk for the Financial Statements

Investment properties with a carrying amount of EUR 94.1 billion are recognized in the consolidated financial statements of Vonovia as at December 31, 2021 and represent 88.5% of total assets, a substantial share. Properties in Germany account for EUR 83.3 billion of this figure, Austria for EUR 3.2 billion and Sweden for EUR 7.6 billion. Following the acquisition of Deutsche Wohnen SE, investment properties located exclusively in Germany with a carrying amount of EUR 28.2 billion were added as at September 30, 2021.

Vonovia measures the investment properties at fair value in accordance with IAS 40 in conjunction with IFRS 13. EUR 7.4 billion in fair value increases was recognized in the consolidated income statement in the last financial year.

Vonovia calculates fair values using internal company valuation models. This excludes the Swedish property portfolios and the new care properties resulting from the acquisition of Deutsche Wohnen SE.

The company calculates this figure internally using discounted cash flow (DCF) methods on the basis of homogeneous valuation units in which economically related and comparable land and buildings are combined. Appraisals are also prepared by independent experts to confirm the internal valuations. The fair value of the Swedish property portfolio and the care properties is calculated by independent experts using DCF methods.

Valuing investment properties is complex and involves numerous assumptions and data that entail considerable estimation uncertainties and judgments. Even minor changes to the assumptions and data relevant to the valuation can result in material changes to the fair values. The most significant assumptions and data are market rents, including the expected rental price trend, planned maintenance costs and the discount and capitalization rates. For the development of discount and capitalization rates, Vonovia takes into account the different dynamics of property purchase prices and rental price trends (yield compression).

The estimation uncertainties and discretionary judgment mean that there is a risk for the consolidated financial statements that the fair values of the investment properties are not appropriate.

Another risk for the consolidated financial statements is that the disclosures in the notes required for the investment properties in accordance with IAS 40 and IFRS 13 are not complete and appropriate.

Our Audit Approach

In collaboration with our own property valuation specialists, we evaluated whether the property portfolio data used in the internal company valuation methods are accurate and complete using control-based and substantive audit procedures. We also assessed the valuation methods regarding compliance with IAS 40 in conjunction with IFRS 13, the homogeneity of the valuation units defined and the appropriateness of the valuation assumptions and data used. To evaluate the valuation assumptions and data used such as the discount and capitalization rates, market rents, expected rental price trend and planned maintenance costs, our method included the use of external market data.

We assessed the appropriateness of the assumptions selected for the valuation as at December 31, 2021 of the property portfolio added as a result of the acquisition of Deutsche Wohnen SE based on a representative selection of properties, supplemented by elements deliberately chosen on a risk basis. For this purpose, the appropriateness of the assumptions used in determining the property-specific annual rental growth and the discount and capitalization rates was assessed by comparing them with market and sector-specific benchmarks, taking into account the type and location of the selected properties. On-site inspections were also carried out for selected properties to assess their condition.

For a representative selection of the valuation units located in Germany that were not added as a result of the acquisition of Deutsche Wohnen SE, as well as the valuation units located in Austria, which were supplemented by elements that were deliberately selected on a risk-oriented basis, we compared the appraisals performed by Vonovia with our own calculations. Here, we used the standardized German income approach in accordance with the German Real Estate Appraisal Regulation (Immobilienwertermittlungsverordnung – ImmoWertV) for the German properties and the sales comparison approach based on the ImmoWertV for the Austrian properties. We also carried out on-site inspections for the German properties selected here to assess their condition.

Furthermore, we evaluated the mathematical and actuarial accuracy of the valuation models.

We satisfied ourselves that the external experts commissioned by Vonovia are competent, capable and objective, assessed the valuation methods used in the appraisals regarding compliance with IAS 40 in conjunction with IFRS 13, assessed the material valuation assumptions and data and compared the internal valuation results with those of the appraisal.

In addition, we assessed the completeness and appropriateness of the disclosures in the notes to the consolidated financial statements required for investment properties under IAS 40 and IFRS 13.

Our Conclusions

Vonovia has implemented an appropriate valuation method that is suitable for determining fair values in line with IFRS. The assumptions and data used to value the investment properties are appropriate. The disclosures made in the notes to the consolidated financial statements in accordance with IAS 40 and IFRS 13 for the investment properties are complete and appropriate.

Goodwill impairment

Please see the notes to the consolidated financial statements section 26 for information on the accounting policies applied and assumptions used. Disclosures on the amount of goodwill and impairment can be found in the notes to the consolidated financial statements in section 26. Comments on the operating segments' business performance are included in section Results of Operations of the group management report.

Risk for the Financial Statements

Goodwill of EUR 2.8 billion is recognized in Vonovia's consolidated financial statements as at December 31, 2021.

In accordance with IAS 36, goodwill is allocated to the groups of cash-generating units that are expected to benefit from the business combination. At Vonovia, these are the regional business areas in the Rental segment, the Value-Add and Development segments and the new group of cash-generating units (Care) added as a result of the Deutsche Wohnen acquisition.

Goodwill is routinely tested for impairment each year at the level of the cash-generating units to which the goodwill in question is allocated. If there are indications that the goodwill could be impaired, an ad-hoc impairment test is also conducted. The impairment test compares the carrying amount with the recoverable amount of the cash-generating unit. If the carrying amount is higher than the recoverable amount, it must be written down. The recoverable amount is the higher of the fair value less costs to sell and the value in use of the cash-generating unit.

The reporting date for the routine impairment test is December 31, 2021.

Increased capitalization rates (WACC) and increases in the value of real estate portfolios during the year – where material – may be an indication that goodwill is impaired. For this reason, Vonovia carried out ad-hoc impairment testing in the second quarter of 2021.

Vonovia also carried out ad-hoc impairment testing in the fourth quarter of 2021 due to additional material increases in the value of real estate portfolios in the second half of 2021. For this, the new goodwill of EUR 4.7 billion arising from the Deutsche Wohnen SE acquisition in the financial year 2021 and determined as part of the still preliminary purchase price allocation as at December 31, 2021 was provisionally allocated to the respective groups of cash-generating units at Vonovia.

Vonovia calculates the value in use as part of a complex calculation model using a DCF method. As well as projections of future cash flows, the determination of the WACC is also to be considered discretionary. As even minor changes to the projections of future cash flows/the WACC can have a material impact on the recoverable amount, there are considerable estimation uncertainties regarding the measurement of goodwill.

In the regional business areas in the Rental segment, the different dynamics of property purchase prices and rental price trends (yield compression) have a major impact on goodwill impairment, as the carrying amounts of the investment properties rise more sharply than projected cash flows, reducing the difference (headroom) between the value in use and the carrying amount of the groups of cash-generating units. In financial year 2021, the appreciation of investment properties and the associated increase in the carrying amounts of all groups of cash-generating units in the Rental segment resulted in a reduction in any available headroom for goodwill. Financial year 2021 saw total goodwill impairment of EUR 3,384.1 million for four of the six total regional business areas.

There is a risk for the consolidated financial statements that the amount of existing impairment was not appropriately calculated. There is also a risk that the related disclosures in the notes to the consolidated financial statements are inappropriate.

Our Audit Approach

In collaboration with our valuation specialists, we assessed the appropriateness of Vonovia's material assumptions and the calculation methods for both ad hoc and annual impairment testing.

We satisfied ourselves that the future cash flows presented in the model and used in the calculation are appropriate, in part by comparing these with the latest projected figures from the detailed planning produced by Vonovia. We also checked that the detailed planning was correctly derived from the five-year plan adopted by the Management Board and acknowledged by the Supervisory Board. In addition, we obtained an understanding of the process of preparing the plans and evaluated the planning process. We also assessed the plausibility of the planning assumptions by way of sector-specific market expectations. Furthermore, we assessed the forecast quality of previous planning by comparing planned figures with actual figures and analyzing discrepancies.

As a significant portion of the value in use in the regional business areas in the Rental segment results from projected cash flows for the period after the detailed planning period (perpetual annuity phase), we assessed, in particular, the maintenance and the long-term growth rates recognized in the perpetual annuity phase in view of regional differences for the individual business areas and using external market expectations.

As regards the WACC calculated by Vonovia, we assessed the content of the individual assumptions and data on the basis of available market data and made a critical overall assessment compared to peer group companies in the real estate sector. Given the material impact of even minor changes in the WACC, we also focused on the sensitivity analyses conducted by Vonovia and ascertained whether and to what extent a change in the individual WACC assumptions and data would result in the need for further impairment within expected ranges.

To assess whether the valuation methods are applied properly in methodological and mathematical terms, we reproduced the valuation carried out by Vonovia using our own calculations and analyzed discrepancies.

Finally, we assessed whether the notes on goodwill impairment are appropriate. This also included assessing the appropriateness of the notes on sensitivities for reasonably possible changes in material assumptions and data used for the valuation.

Our Conclusions

The valuation method used for goodwill impairment testing is suitable and in line with the applicable measurement principles. The company's assumptions and data used for the valuation are within acceptable ranges. The notes in relation to the goodwill impairment testing are appropriate.

Deutsche Wohnen SE acquisition

Regarding the accounting policies applied, please see the notes to the consolidated financial statements item 3. Disclosures on the acquisition of Deutsche Wohnen SE can be found in the notes to the consolidated financial statements under item 4.

Risk for the Financial Statements

Vonovia SE acquired a total of around 87.6% of shares in Deutsche Wohnen SE in financial year 2021 as part of a public takeover bid, through purchases on the market and through individual agreements.

The transaction is a business combination achieved in stages, as Vonovia SE already had significant influence over Deutsche Wohnen SE prior to the public takeover bid announced in August 2021 as a result of share purchases. Following the purchase of further shares and the shares tendered as part of the public takeover bid, since September 30, 2021 (acquisition date) Vonovia SE has controlled Deutsche Wohnen SE and its direct and indirect subsidiaries (Deutsche Wohnen). Accordingly, the Deutsche Wohnen subgroup is consolidated in Vonovia's consolidated financial statements from this date.

The total consideration as at the acquisition date is EUR 18.0 billion. Accounting for the net assets acquired of EUR 15.3 billion and the non-controlling interests of EUR 2.0 billion calculated as part of the purchase price allocation, which was still preliminary as at December 31, 2021, goodwill comes to EUR 4.7 billion.

Net assets are the difference between the assets acquired and the liabilities assumed, which are generally recognized at fair value on the acquisition date in accordance with IFRS 3. Vonovia sought the assistance of an independent expert to identify and measure the assets acquired and liabilities assumed.

Identifying and measuring the assets acquired and liabilities assumed is complicated and, in some cases, is based on discretionary assumptions by the Management Board. Especially when calculating the fair values of assets acquired and liabilities assumed, the Management Board must make judgments regarding the assumptions included in the valuation. Material assumptions chiefly relate to future cash flows and the discount rates.

There is a risk for the consolidated financial statements that the assets acquired and liabilities assumed are incorrectly identified or measured. There is also a risk that the disclosures in the consolidated financial statements are not complete and appropriate.

Our Audit Approach

We first obtained an understanding of the transaction, operating activities and the economic and legal environment of Deutsche Wohnen by interviewing the Management Board and other relevant points of contact at Vonovia and by assessing the public takeover bid and other contracts and agreements.

Based on our sector expertise and the findings gained regarding operating activities and the legal environment of Deutsche Wohnen, we evaluated the process of identifying the assets acquired and liabilities assumed in terms of compliance with the requirements under IFRS 3.

We also interviewed the external experts and assessed their approach to identifying the assets acquired and liabilities assumed that were subject to fair value measurement. We analyzed the overview prepared by the external experts with the assets and liabilities identified and to be measured regarding their completeness. As part of this, we compared the findings of the external expert with our own findings and expectations. In addition, we assessed the competence, capability and objectivity of the independent expert commissioned by Vonovia.

We evaluated the valuation of the identified assets acquired and liabilities assumed on a risk-oriented basis in collaboration with our valuation specialists.

This included assessing the appropriateness of the valuation process and the material assumptions and data used in the valuation. We discussed the future cash flows and discount rates used for the assumptions and data with those responsible for planning and compared these with our own assumptions and publicly available data.

Finally, we assessed whether the notes on the acquisition of Deutsche Wohnen are complete and appropriate.

Our Conclusions

The process of identifying and measuring the assets acquired and liabilities assumed is appropriate and in line with the applicable accounting principles. The material assumptions and data are appropriate, as is the presentation in the notes to the consolidated financial statements.

Appropriate inclusion of the QUARTERBACK Group and QUARTERBACK property companies in Vonovia's consolidated financial statements in accordance with the equity method

Please see the explanations in the notes to the consolidated financial statements in section 30 for information on the inclusion of the QUARTERBACK Group and the QUARTERBACK property companies in Vonovia's consolidated financial statements.

Risk for the Financial Statements

Vonovia holds a 40% interest in QUARTERBACK Immobilien AG, Leipzig, the parent company of the QUARTERBACK Group. Vonovia also has another 11 investments in QUARTERBACK property companies ranging from 44% to 50%. The QUARTERBACK Group is the other major shareholder. The QUARTERBACK Group and the QUARTERBACK property companies are consolidated in Vonovia's consolidated financial statements as at December 31, 2021 in accordance with the equity method. As at the reporting date, the equity carrying amount carried forward for the QUARTERBACK Group and the QUARTERBACK property companies totaled EUR 475.2 million and total income of EUR 3.7 million from the equity accounting of the QUARTERBACK Group and the QUARTERBACK property companies was recognized in the consolidated income statement for the period October 1 to December 31, 2021.

In the financial year, the following transactions were conducted with the QUARTERBACK Group and individual QUARTERBACK property companies:

> Shareholder loan granted by Vonovia
> Sale of a project management company to the QUARTERBACK Group
> Agreement of contracts for future acquisitions of project real estate by Vonovia
> Agreement of service contracts

There were also personnel changes for the QUARTERBACK Group.

The decision as to whether it is appropriate to include the QUARTERBACK Group and the QUARTERBACK property companies in accordance with equity method is made chiefly by referring to the regulations in IAS 28, IFRS 11 and IFRS 10.

There is a risk for the financial statements that, given the complexity of the issue, it is not appropriate to include the QUARTERBACK Group and the QUARTERBACK property companies in Vonovia's consolidated financial statements in accordance with the equity method.

Our Audit Approach

To assess the appropriateness of including the QUARTERBACK Group and the QUARTERBACK property companies in Vonovia's consolidated financial statements in accordance with the equity method, we took a risk oriented-approach and focused chiefly on the following audit procedures:

> Obtaining an understanding of the preparation of the consolidated financial statements and assessing the set-up and form of internal controls identified, in particular regarding the accuracy and completeness of the information on which the decision on inclusion is made.
> Interviewing members of management at Vonovia and QUARTERBACK Immobilien AG, QUARTERBACK Immobilien AG's auditor and other points of contact.
> Analyzing the contracts concluded, including regarding their substance and whether the conditions are in line with normal market conditions.
> Assessing the impact of the personnel changes on potential changes in influence.

Reviewing the overall analysis prepared by Vonovia on the at-equity inclusion of the QUARTERBACK Group and the QUARTERBACK property companies to ensure that all relevant matters are appropriately assessed and fully taken into account.

Our Conclusions

It is appropriate to include the QUARTERBACK Group and QUARTERBACK property companies in Vonovia's consolidated financial statements in accordance with the equity method.

Other Information

Management and/or the Supervisory Board are/is responsible for the other information. The other information includes the following components of the combined management report, the content of which has not been audited:

> the non-financial statement, which is included in its own section of the combined management report and
> the corporate governance statement, which is referenced 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 stated above

> 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 audit of the non-financial statement. Please see our audit report dated March 16, 2022 for information on the nature, extent and results of this audit.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Combined 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 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 misstatement, 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 Regulation (EU) No. 537/2014 and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) as well as the ISA 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 misstatement 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 issue a declaration to those responsible for monitoring stating that we comply with the relevant independence requirements and discuss with them all relationships and other matters that may reasonably be assumed to affect our independence, and the safeguards in place to prevent this.

Of the issues that we have discussed with those responsible for monitoring, we determine the issues that were the most significant in the audit of the consolidated financial statements for the current period under review and therefore represent the particularly important audit issues. We describe these issues in the auditor's report, unless the law or other regulations state that they must not be publicly disclosed.

Other statutory and legal requirements

Report on the Audit of the Electronic Reproduction of the Consolidated Financial Statements and the Combined Management Report for the Purpose Of Disclosure Under Section 317 (3a) HGB

In accordance with Section 317 (3a) HGB, we conducted a reasonable assurance audit as to whether the reproductions of the consolidated financial statements and the combined management report contained in the available file „2022-03-14 - Testatsdatei.zip“ (SHA256-Hash value: 12a811e93a-30caf5f72f9d86e64171835d8aaf7cf85828f304c09163c602d-f4b) and prepared for the purpose of disclosure (hereinafter also referred to as "ESEF documents") comply, in all material respects, with the provisions of Section 328 (1) HGB regarding electronic reporting formats ("ESEF format"). In line with German legal requirements, this audit extends only to converting the information in the consolidated financial statements and the combined management report to ESEF format and thus not to the information included in these reproductions or information in the above file.

In our opinion, the reproductions of the consolidated financial statements and the combined management report contained in the above file and prepared for the purpose of disclosure comply, in all material respects, with the provisions of Section 328 (1) HGB regarding the electronic reporting format. Other than these audit opinions and the audit opinions included in the above "Report on the audit of the consolidated financial statements and the combined management report" on the attached consolidated financial statements and combined management report for the financial year from January 1 to December 31, 2021, we do not express any audit opinion on the information included in these reproductions or on the other information included in the above file.

We audited the reproductions of the consolidated financial statements and the combined management report included in the above file in accordance with Section 317 (3a) HGB, taking into account the IDW Auditing Standard: Audit of electronic reproductions of financial statements and management reports produced for the purpose of disclosure in accordance with Section 317 (3a) HGB (IDW PS 410) (October 2021) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in this context is further described below. Our audit practice applied the requirements for quality assurance systems set out in the IDW Assurance Standard: quality assurance requirements in audit practice (IDW QS 1).

The company's management is responsible for preparing the ESEF documents containing the electronic reproductions of the consolidated financial statements and the combined management report in accordance with Section 328 (1) sentence 4 no. 1 HGB and for marking up the consolidated financial statements in accordance with Section 328 (1) sentence 4 no. 2 HGB.

In addition, the company's management is responsible for such internal control as they have determined necessary to enable the preparation of ESEF documents that are free from material breaches of the provisions of Section 328 (1) HGB regarding the electronic reporting format, whether due to fraud or error.

The Supervisory Board is responsible for overseeing the process for the preparation of the ESEF documents as part of the financial reporting process.

Our objectives are to obtain reasonable assurance about whether the ESEF documents are free from material breaches of the provisions of the requirements of Section 328 (1) HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

> Identify and assess the risks of breaches of the requirements of Section 328 (1) HGB, 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.
> Obtain an understanding of the internal control relevant to the audit of the ESEF documents to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of this control.
> Assess the technical validity of the ESEF documents, i.e. whether the file provided that contains the ESEF documents complies with the requirements regarding the technical specification for this file as set out in the Commission Delegated Regulation (EU) 2019/815 in the version valid at the end of the reporting period.
> Assess whether the ESEF documents allow an identical XHTML reproduction of the audited consolidated financial statements and the audited combined management report.
> Assess whether the markup of the ESEF documents using Inline XBRL technology (iXBRL) allows for an appropriate and complete machine-readable BRL copy of the XHTML reproduction in accordance with Articles 4 and 6 of the Commission Delegated Regulation (EU) 2019/815 in the version valid at the end of the reporting period.

Other Disclosures In Accordance With Article 10 Regulation (EU) No. 537/2014

We were elected as group auditor by the Annual General Meeting on April 16, 2021. We were engaged by the Supervisory Board on December 15, 2021. We have been Vonovia SE's group auditor continuously since the company's initial public offering in the 2013 financial year.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee in accordance with Article 11 Regulation (EU) No. 537/2014 (audit report).

Other matters – use of the auditor's report

Our auditor's report is always to be read in connection with the audited consolidated financial statements, the audited combined management report and the audited ESEF documents. The consolidated financial statements and combined management report converted into ESEF format – including the versions to be published in the German Federal Gazette – are simply electronic reproductions of the audited consolidated financial statements and the audited combined management report and do not replace them. In particular, the ESEF report and our audit opinions contained therein are to be used only in conjunction with the audited ESEF documents provided in electronic form.

Public auditor responsible

The public auditor responsible for the audit is Maximilian Cremer.

Dusseldorf, March 16, 2022

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Ufer Wirtschaftsprüfer [German Public Auditor]	Cremer Wirtschaftsprüfer [German Public Auditor]

Limited Assurance Report of the Independent Auditor regarding the Non-Financial Group Statement

To the Supervisory Board of Vonovia SE, Bochum

We have performed an independent limited assurance engagement on the non-financial group statement of Vonovia SE, Bochum (further the "Company"), as well as the section of the combined management report that are qualified as part of it through cross reference, "Fundamental Information About the Group", for the period from January 1 to December 31, 2021.

It was not part of our engagement to review references to external websites and information sources.

Management's Responsibility

The legal representatives of the Company are responsible for the preparation of the non-financial group statement in accordance with §§ 315b, 315c in conjunction with §§ 289c to 289e HGB and with Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of June 18, 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (further "EU Taxonomy Regulation") and the supplementing Delegated Acts as well as the interpretation of the wordings and terms contained in the EU Taxonomy Regulation and in the supplementing Delegated Acts by the Company as disclosed in Section "EU Taxonomy" of the non-financial group statement.

This responsibility of the legal representatives includes the selection and application of appropriate methods to prepare the non-financial group statement and the use of assumptions and estimates for individual disclosures which are reasonable under the given circumstances. Furthermore, the legal representatives are responsible for the internal controls they deem necessary for the preparation of the non-financial group statement that is free of – intended or unintended – material misstatements.

The EU Taxonomy Regulation and the supplementing Delegated Acts contain wordings and terms that are still subject to substantial uncertainties regarding their interpretation and for which not all clarifications have been published yet. Therefore, the legal representatives have included a description of their interpretation in Section "EU Taxonomy" of the non-financial group statement. They are responsible for its tenability. Due to the innate risk of diverging interpretations of vague legal concepts, the legal conformity of these interpretations is subject to uncertainty.

Practitioner's Responsibility

It is our responsibility to express a conclusion on the non-financial group statement based on our work performed within a limited assurance engagement.

We conducted our work in the form of a limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information", published by IAASB.

Accordingly, we have to plan and perform the assurance engagement in such a way that we obtain limited assurance as to whether any matters have come to our attention that cause us to believe that the non-financial group statement of the Company for the period from January 1 to December 31, 2021 has not been prepared, in all material respects, in accordance with §§ 315b and 315c in conjunction with 289c to 289e HGB and with the EU Taxonomy Regulation and the supplementing Delegated Acts as well as the interpretation of the wordings and terms contained in the EU Taxonomy Regulation and in the supplementing Delegated Acts by the legal representatives as disclosed in Section "EU Taxonomy" of the non-financial group statement. We do not, however, issue a separate conclusion for each disclosure. As the assurance procedures performed in a limited assurance engagement are less comprehensive than in a reasonable assurance engagement, the level of assurance obtained is substantially lower. The choice of assurance procedures is subject to the auditor's own judgement.

Within the scope of our engagement we performed, amongst others, the following procedures:

> Inquiries of group-level personnel who are responsible for the materiality analysis in order to understand the processes for determining material topics and respective reporting boundaries for Vonovia SE

> A risk analysis, including media research, to identify relevant information on Vonovia SE's sustainability performance in the reporting period

> Evaluation of the design and the implementation of systems and processes for the collection, processing and monitoring of disclosures, including data consolidation, on environmental, employee and social matters, respect for human rights, and anti-corruption and bribery matters

> Inquiries of group-level personnel who are responsible for determining disclosures on concepts, due diligence processes, results and risks, performing internal control functions and consolidating disclosures

> Inspection of selected internal and external documents

> Analytical procedures for the evaluation of data and of the trends of quantitative disclosures as reported at group level by all sites

> Evaluation of local data collection, validation and reporting processes as well as the reliability of reported data

> Assessment of the overall presentation of the disclosures

> Inquiries of responsible employees at Group level to obtain an understanding of the approach to identify relevant economic activities in accordance with EU taxonomy

> Evaluation of the process for the identification of taxonomy-eligible economic activities and the corresponding disclosures in the non-financial group statement

The legal representatives have to interpret vague legal concepts in order to be able to compile the relevant disclosures according to Article 8 of the EU Taxonomy Regulation. Due to the innate risk of diverging interpretations of vague legal concepts, the legal conformity of these interpretations and, correspondingly, our assurance thereof are subject to uncertainty.

In our opinion, we obtained sufficient and appropriate evidence for reaching a conclusion for the assurance engagement.

Independence and Quality Assurance on the Part of the Auditing Firm

In performing this engagement, we applied the legal provisions and professional pronouncements regarding independence and quality assurance, in particular the Professional Code for German Public Auditors and Chartered Accountants (in Germany) and the quality assurance standard of the German Institute of Public Auditors (Institut der Wirtschaftsprüfer, IDW) regarding quality assurance requirements in audit practice (IDW QS 1).

Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the non-financial group statement of Vonovia SE for the period from January 1 to December 31, 2021 has not been prepared, in all material respects, in accordance with §§ 315b and 315c in conjunction with §§ 289c to 289e HGB and with the EU Taxonomy Regulation and the supplementing Delegated Acts as well as the interpretation disclosed in Section "EU Taxonomy" of the non-financial group statement.

Restriction of Use/General Engagement Terms

This assurance report is issued for purposes of the Supervisory Board Vonovia SE, Bochum, only. We assume no responsibility with regard to any third parties.

Our assignment for the Supervisory Board of Vonovia SE, Bochum, and professional liability as described above was governed by the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version dated January 1, 2017 (**https://www.kpmg.de/bescheinigungen/lib/aab_english.pdf**). By reading and using the information contained in this assurance report, each recipient confirms notice of the provisions contained therein including the limitation of our liability as stipulated in No. 9 and accepts the validity of the General Engagement Terms with respect to us.

Düsseldorf, March 16, 2022

KPMG AG

Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Stauder	Brokof
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

Responsibility Statement

Balance Sheet Oath

"To the best of our knowledge and belief, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the company's net assets, financial position and results of operations, and the combined management report includes a fair review of the business development and position of the company, including the results, together with a description of the principal opportunities and risks associated with the expected development of the company in the remainder of the fiscal year."

Bochum, Germany, March 10, 2022

Rolf Buch
(CEO)

Arnd Fittkau
(CRO)

Philip Grosse
(CFO)

Daniel Riedl
(CDO)

Helene von Roeder
(CTO)

EPRA Reporting

Vonovia SE has been a member of EPRA since 2013. The eponymous European Public Real Estate Association (EPRA) is a non-profit organization that has its registered headquarters in Brussels and represents the interests of listed European real estate companies. Its mission is to raise awareness of European listed real estate companies as a potential investment destination that offers an alternative to conventional investments.

In order to make it easier to compare real estate companies and to reflect special features that apply to the real estate sector, EPRA has developed a framework for standardized reporting that goes beyond the scope of the IFRS.

Vonovia reports the EPRA key figures based on the EPRA Best Practice Recommendations (BPRs). Vonovia only uses some of the EPRA key figures as performance indicators, which is why they are reported outside of the management report. They are non-GAAP measures or also APMs (Alternative Performance Measures).

We would like to point out that the EPRA BPRs refer generally to both residential and commercial real estate companies. On the other hand, Vonovia is active almost exclusively in the area of housing. Vonovia's business model is based on the development and construction of new apartments, both for its own portfolio and for sale to third parties, the rental of homes, the provision of housing-related services and the sale of apartments. Unlike companies with a commercial real estate portfolio and, as a result, a relatively small number of properties, Vonovia's portfolio features a large number of fairly similar residential units. This means that it does not make sense for a company specializing in residential real estate to report much of the information recommended in the EPRA BPRs, which focus in particular on significant individual properties.

This is why, with regard to the current real estate portfolio, we have opted not to report an overview of lease agreement terms (the lease agreements tend to be concluded for an indefinite period), the estimated market rent upon the expiry of the lease or the ten biggest tenants in terms of rental income.

The Development segment was expanded further in the 2021 fiscal year. Our business still relates almost exclusively to residential units. Further information on the Development segment can be found in the chapter → **Portfolio in the Development Business.**

EPRA Key Figures

in € million			2020	2021	Change in %
EPRA Performance Measure	Definition	Purpose			
EPRA Earnings	Earnings from operational activities.	A key measure of a company`s underlying operating results and an indication of the extent to which current dividend payments are supported by earnings.	1,196.9	1,361.7	13.8
EPRA Net Reinstatement Value (NRV)	Assumes that entities never sell assets and aims to represent the value required to rebuild the entity.	The EPRA NAV set of metrics make adjustments to the NAV per IFRS financial statements to provide stakeholders with the most relevant information on the fair value of the assets and liabilities of a real estate investment company, under different scenarios.	43,677.3	64,216.1	47.0
EPRA Net Tangible Assets (NTA)	Assumes that entities buy and sell assets, thereby crystallizing certain levels of unavoidable deferred tax.		35,488.6	51,826.1	46.0
EPRA Net Disposal Value (NDV)	Represents the shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the extent of their liability, net of any resulting tax.		20,543.4	30,155.4	46.8
EPRA Net initial yield in %	Annualized rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with purchasers´costs.	A comparable measure for portfolio valuations. This measure should make it easier for investors to judge themselves, how the valuation of portfolio X compares with portfolio Y.	3.0	2.6	-0.4 pp
EPRA Topped-up Net Initial Yield in %	This measure incorporates an adjustment to the EPRA NIY with respect to the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).		3.0	2.6	-0.4 pp
EPRA Vacancy rate in %	Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio.	A "pure" (%) measure of investment property space that is vacant, based on ERV.	2.3	2.0	-0.3 pp
EPRA Cost Ratio (incl. direct vacancy costs) in %	Administrative & operating costs (including costs of direct vacancy) divided by gross rental income.	A key measure to enable meaningful measurement of the changes in a company´s operating costs.	26.8	25.5	-1.3 pp
EPRA Cost Ratio (excl. direct vacancy costs) in %	Administrative & operating costs (excluding costs of direct vacancy) divided by gross rental income.		25.6	24.4	-1.2 pp

EPRA Earnings

The EPRA Earnings is a measure of the operating result. It indicates the extent to which current dividend payments are supported by the operating result. Based on the profit for the period, adjustments are made to reflect changes in the value of assets and liabilities affecting net income, and to reflect sale effects and costs for acquisition/integration.

The EPRA Earnings increased by 13.8% in 2021 compared with 2020.

As far as company-specific adjustments are concerned, we include the earnings contributions made by the Development and Recurring Sales segments. Prior-year and non-recurring interest expenses, depreciation and amortization, other non-recurring items and taxes that do not correspond to current income taxes are also eliminated. The adjusted earnings are calculated after adjustments under IFRS 16 and effects resulting from the takeover of Deutsche Wohnen. This corresponds to the Group FFO, which was up by 24.0% year-on-year.

As there were no diluting financial instruments on the reporting dates, the undiluted EPRA Earnings equal the diluted figure.

in € million	2020	2021	Change in %
Earnings per IFRS income statement	**3,340.0**	**2,830.9**	**-15.2**
Changes in value of investment properties, development properties held for investment and other interests	-3,719.8	-7,393.8	98.8
Profits or losses on disposal of investment properties, development properties held for investment and other interests	-182.1	-165.0	-9.4
Profits or losses on sales of trading properties including impairment charges in respect of trading properties.	-61.8	-137.9	>100
Selling costs*	35.3	68.8	94.9
Tax on profits or losses on disposals	31.1	68.2	>100
Negative goodwill/goodwill impairment	–	3,384.1	–
Changes in fair value of financial instruments and associated close-out costs	98.9	162.1	63.9
Acquisition costs	24.0	14.1	-41.3
Deferred tax in relation to EPRA adjustments	1,631.3	2,530.2	55.1
EPRA Earnings	**1,196.9**	**1,361.7**	**13.8**
EPRA Earnings per share in €**	**1.98**	**1.75**	**-11.6**
Adjustment Development	48.1	102.8	>100
Adjustment Recurring Sales	92.4	114.0	23.4
Adjustments other non-recurring Items	37.5	23.0	-38.7
Adjustment depreciation and amortization (incl. depreciation on financial assets)	92.3	114.1	23.6
Adjustments of prior-year/one-time interest expense	-45.8	-20.5	-55.2
Adjustments for tax on profits or losses on disposals and other/prior-year taxes	-40.4	-12.1	-70.0
Adjustment IFRS 16 effects	-32.8	-37.3	13.7
Adjustment Deutsche Wohnen	–	26.3	–
Adjusted Earnings (Group FFO)	**1,348.2**	**1,672.0**	**24.0**
Adjusted Earnings (Group FFO) per share in €**	**2.23**	**2.15**	**-3.6**

* Excluding Deutsche Wohnen selling costs due to segments not being fully integrated.
** Based on the shares carrying dividend rights as of the reporting date, Prior-year value TERP-adjusted (TERP factor 1.067).

EPRA NAV Key Figures

The EPRA NAV key figures make adjustments based on the IFRS equity to provide stakeholders with information that is as clear as possible on the fair value of a real estate company's assets and liabilities in various scenarios.

The EPRA Net Reinstatement Value (NRV) is calculated based on the assumption that residential properties are never sold. It represents the asset value that would be required to rebuild the company from scratch. The equity attributable to Vonovia's shareholders is adjusted by the deferred taxes in relation to fair value gains of investment properties and the fair value of derivatifve financial instruments after taking deferred taxes into account. The fair value of intangible assets is also added. At Vonovia, this refers to the additional value of the Value-add and Development segments, which is calculated in an appraisal that is updated every year. In addition, the real estate transfer tax and other purchasers' costs, deducted as part of the property valuation process, are added back.

The EPRA NTA (Net Tangible Assets) is calculated based on the assumption that properties are purchased and sold. This means that part of the deferred taxes on the real estate assets is inevitably realized as a result of the sale process. At Vonovia, the Recurring Sales and Non-core Disposals portfolio clusters, as well as the portfolio in Austria, are not to be allocated to the real estate portfolio that is held in the long term. The deferred taxes on these portfolios are calculated in proportion to the fair values and reduce the total deferred taxes recognized. Similarly, the real estate transfer tax and other purchasers' costs for these portfolios are calculated and taken into account without any value-enhancing effect. As the Deutsche Wohnen properties still have to be allocated to the portfolio clusters, 50% of the deferred taxes are recognized, with real estate transfer tax and other purchasers' costs being recognized in full. The fair value of derivative financial instruments, after taking deferred taxes into account, is adjusted and the intangible assets (goodwill and other intangible assets) are eliminated in full.

The EPRA Net Disposal Value (NDV) determines the value of the equity in a sale scenario. The fair values of the deferred taxes and financing instruments are realized as in IFRS equity. Goodwill is eliminated and the fixed-interest financial liabilities are stated at fair value, taking the resulting tax effects into account.

The tables below show the NAV key figures as of December 31, 2021 and the corresponding prior year.

Dec. 31, 2021 (in € million)	EPRA NRV	EPRA NTA	EPRA NDV
IFRS equity attributable to Vonovia shareholders	**33,287.1**	**33,287.1**	**33,287.1**
Deferred tax in relation to fair value gains of IP	20,053.3	15,498.3	–
Fair value of financial instruments*	28.6	28.6	–
Goodwill as per the IFRS balance sheet	–	-2,766.5	-2,766.5
Intangibles as per the IFRS balance sheet	–	-238.8	–
Fair value of fixed interest rate debt	–	–	-365.2
Revaluation of intangibles to fair value	4,336.0	–	–
Real estate transfer tax	6,511.1	6,017.4	–
NAV	**64,216.1**	**51,826.1**	**30,155.4**
Fully diluted number of shares (millions)	776.6	776.6	776.6
NAV per share (in €)	**82.69**	**66.73**	**38.83**

* Adjusted for effects from cross currency swaps.

Dec. 31, 2020 (in € million)	EPRA NRV	EPRA NTA	EPRA NDV
IFRS equity attributable to Vonovia shareholders	**23,143.9**	**23,143.9**	**23,143.9**
Deferred tax in relation to fair value gains of IP	11,947.7	10,466.7	–
Fair value of financial instruments*	54.9	54.9	–
Goodwill as per the IFRS balance sheet	–	-1,494.7	-1,494.7
Intangibles as per the IFRS balance sheet	–	-117.0	–
Fair value of fixed interest rate debt	–	–	-1,105.8
Revaluation of intangibles to fair value	4,610.0	–	–
Real estate transfer tax	3,920.8	3,434.8	–
NAV	**43,677.3**	**35,488.6**	**20,543.4**
Fully diluted number of shares (millions)	603.8	603.8	603.8
NAV per share (in €)**	**72.34**	**58.78**	**34.02**

* Adjusted for effects from cross currency swaps.
** TERP-adjusted (TERP factor 1.067).

EPRA Net Initial Yield

The EPRA Net initial yield shows the ratio of annualized rental income minus property outgoings (annualized net rent) to the gross fair values of the residential properties. The fair values are increased by the purchasers' costs.

The topped-up Net initial yield eliminates the rental incentives in the annualized net rental income. Rental incentives are of only minor importance to a company specializing in residential properties.

Despite the significant increase in annualized rental income, the EPRA Net initial yield decreased from 3.0% in 2020 to 2.6% in 2021. The reason for this is a significant increase in the fair value of the real estate portfolio beyond the rent development (yield compression).

in € million	**2020**	**2021**	**Change in %**
Fair value of the real estate portfolio (net)	**56,834.4**	**92,411.7**	**62.6**
Allowance for estimated purchasers' costs	3,920.8	6,420.5	63.8
Fair value of the real estate portfolio (gross)	**60,755.2**	**98,832.2**	**62.7**
Annualized cash passing rental income	2,351.9	3,234.8	37.5
Property outgoings	-505.5	-668.4	32.2
Annualized net rents	**1,846.4**	**2,566.4**	**39.0**
Adjustments for rental incentives	4.9	6.8	38.8
Topped-up net annualized rent	**1,851.3**	**2,573.2**	**39.0**
EPRA Net initial yield in %	**3.0**	**2.6**	**-0.4 pp**
EPRA Topped-up Net initial yield in %	**3.0**	**2.6**	**-0.4 pp**

* Fair value of the developed land excl. IFRS 16, development, undeveloped land, inheritable building rights granted, nursing portfolio.

EPRA Vacancy rate

The calculation of the EPRA Vacancy rate is based on the ratio of the estimated market rent for the vacant residential properties to the estimated market rent of the residential property portfolio, i.e., the vacancy rate shown in the management report is valued based on the market rent for the residential properties.

As of the end of 2021, our apartments were again virtually fully occupied. At 2.0%, the EPRA Vacancy rate was lower than the value for the previous year (2.3%).

in € million	Dec. 31, 2020	Dec. 31, 2021	Change in %
Market rent of vacant apartments	56.6	74.9	32.3
Market rent of residential property portfolio	2,515.2	3,674.3	46.1
EPRA Vacancy rate in %	2.3	2.0	-0.3 pp

EPRA Cost Ratio

As the ratio of EPRA costs to gross rental income, the EPRA Cost ratio provides information on the cost efficiency of a real estate company. The EPRA Cost ratio is reported including and excluding direct vacancy costs. In 2021, the EPRA Cost ratio was down by 1.3 percentage points (incl. direct vacancy costs)/1.2 percentage points (excluding direct vacancy costs) year-on-year.

in € million	2020	2021*	Change in %
Operating expenses Rental	410.6	380.9	-7.2
Maintenance expenses	321.1	332.7	3.6
Adjusted EBITDA Value-add	-152.3	-148.8	-2.3
Intercompany profit	33.5	37.8	12.8
EPRA Costs (including direct vacancy costs)	612.9	602.6	-1.7
Direct vacancy costs	-27.0	-25.9	-4.1
EPRA Costs (excluding direct vacancy costs)	585.9	576.7	-1.6
Gross rental income	2,285.9	2,361.6	3.3
EPRA Cost ratio including direct vacancy costs in %	26.8	25.5	-1.3 pp
EPRA Cost ratio excluding direct vacancy costs in %	25.6	24.4	-1.2 pp

* Vonovia without Deutsche Wohnen due to segments not being fully integrated.
Costs are capitalized only in connection with self-provided capitalized maintenance or value-enhancing investments.

Property-related Capital Expenditure

The table below provides an overview of the property-related capital expenditure made by the company throughout the fiscal year.

In the acquisitions category, 2021 was dominated by the takeover of Deutsche Wohnen. In the previous year, portfolios that are smaller in comparison were acquired in Germany, with a focus on Kiel and Berlin.

The investments in new construction were increased considerably in 2021 (46.9%). The investments made in the existing portfolio were on a par with the previous year.

in € million	2020	2021	Change in %
Acquisitions	292.6	28,334.1	>100
Development*	435.5	639.9	46.9
Investment properties	1,114.5	1,124.2	0.9
Incremental lettable space	–	–	–
No incremental lettable space	1,114.5	1,124.2	0.9
Other	–	–	–
Property-related capital expenditure	**1,842.6**	**30,098.2**	**>100**

* Incl. attic conversions.

Like-for-like Rent Increases

The following tables provide an overview of the like-for-like rent increases in the company's residential property portfolio.

			Residential in-place rent like-for-like*		
Dec. 31, 2021	Residential units	Living area (in thou. m²)	Dec. 31, 2020 (p.a. in € million)	Dec. 31, 2021 (p.a. in € million)	Change (in %)
Strategic	319,661	19,865	1,651.3	1,708.0	3.4
Urban Quarters	233,227	14,368	1,176.7	1,218.4	3.5
Urban Clusters	86,434	5,497	474.6	489.6	3.2
Recurring Sales	23,379	1,562	133.1	136.8	2.8
Non-core Disposals	930	76	7.2	7.4	3.5
Vonovia Germany	**343,970**	**21,504**	**1,791.6**	**1,852.3**	**3.4**
Vonovia Sweden	37,343	2,670	321.3	329.9	2.7
Vonovia Austria	20,101	1,494	85.7	86.6	1.1
Total	**401,414**	**25,667**	**2,198.5**	**2,268.8**	**3.2**

* The underlying portfolio has a fair value of € 59,974.7 million.

			Residential in-place rent like-for-like*		
Regional Market	Residential units	Living area (in thou. m²)	Dec. 31, 2020 (p.a. in € million)	Dec. 31, 2021 (p.a. in € million)	Change (in %)
Berlin	44,374	2,835	225.0	239.7	6.6
Rhine Main area	26,582	1,697	174.7	179.4	2.7
Southern Ruhr area	41,633	2,563	198.0	204.8	3.4
Rhineland	28,065	1,880	168.7	173.6	2.9
Dresden	37,150	2,126	161.5	165.0	2.1
Hamburg	19,219	1,223	109.1	112.2	2.8
Kiel	23,751	1,364	108.1	112.6	4.2
Munich	9,527	626	63.6	65.4	3.0
Stuttgart	13,291	834	81.5	83.8	2.9
Hanover	15,790	999	83.2	85.2	2.5
Northern Ruhr area	24,255	1,497	107.8	110.3	2.4
Bremen	11,401	694	50.7	52.3	3.1
Leipzig	8,641	558	41.7	42.6	2.2
Westphalia	9,213	602	47.1	48.7	3.5
Freiburg	3,990	273	25.2	26.1	3.9
Other strategic locations	25,711	1,635	138.0	142.3	3.1
Total strategic locations Germany	**342,593**	**21,405**	**1,783.7**	**1,844.2**	**3.4**
Non-strategic locations	1,377	99	7.9	8.1	2.3
Vonovia Germany	**343,970**	**21,504**	**1,791.6**	**1,852.3**	**3.4**
Vonovia Sweden	37,343	2,670	321.3	329.9	2.7
Vonovia Austria	20,101	1,494	85.7	86.6	1.1
Total	**401,414**	**25,667**	**2,198.5**	**2,268.8**	**3.2**

* The underlying portfolio has a fair value of € 59,974.7 million.

Glossary

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.

Adjusted EBITDA Deutsche Wohnen
The Adjusted EBITDA Deutsche Wohnen is calculated by deducting the operating expenses of the Deutsche Wohnen segment and the carrying amount of properties sold from the segment revenue of the Deutsche Wohnen Group.

Adjusted EBITDA Recurring Sales
The Adjusted EBITDA Recurring Sales compares the proceeds generated from the 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 5, has to be adjusted to reflect realized/unrealized changes in value.

Adjusted EBITDA Rental
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.

Adjusted EBITDA Total (Earnings 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, recur irregularly and that are atypical for business operation, and for net income from fair value adjustments to investment properties. These non-recurring items include the development of new fields of business and business processes, acquisition projects, expenses for refinancing and equity increases (where not treated as capital procurement costs), IPO preparation costs and expenses for pre-retirement part-time work arrangements and severance payments. The Adjusted EBITDA Total is derived from the sum of the Adjusted EBITDA Rental, Adjusted EBITDA Value-add, Adjusted EBITDA Recurring Sales, Adjusted EBITDA Development and Adjusted EBITDA Deutsche Wohnen.

Adjusted EBITDA Value-add
The Adjusted EBITDA Value-add is calculated by deducting operating expenses from the segment's income.

COSO
The Committee of Sponsoring Organizations of the Treadway Commission (COSO) is a private-sector U.S. organization. It was founded in 1985. In 1992, COSO published the COSO model, an SEC-recognized standard for internal controls. This provided a basis for the documentation, analysis and design of internal control systems. In 2004, the model was further developed and the COSO Enterprise Risk Management (ERM) Framework was published. Since then, it has been used to structure and develop risk management systems.

Covenants
Requirements specified in loan agreements or bond conditions containing future obligations of the borrower or the bond obligor to meet specific requirements or to refrain from undertaking certain activities.

EPRA Key Figures
For information on the EPRA key figures, we refer to the chapter on → **segment reporting according to EPRA**.

EPRA NTA
The presentation of the NTA based on the EPRA definition aims to show the net asset value in a long-term business model. NTA stands for Net Tangible Assets. The equity attributable to Vonovia's shareholders is adjusted by deferred taxes, real estate transfer tax and other purchasers' costs in relation to the existing portfolio and the fair value of derivative financial instruments after taking deferred taxes

into account. Stated goodwill and other intangible assets are also deducted.

European Public Real Estate Association (EPRA)

The European Public Real Estate Association (EPRA) is a non-profit organization that has its registered headquarters in Brussels and represents the interests of listed European real estate companies. Its mission is to raise awareness of European listed real estate companies as a potential investment destination that offers an alternative to conventional investments. EPRA is a registered trademark of the European Public Real Estate Association.

Fair Value

Fair value is particularly relevant with regard to valuation in accordance with IAS 40 in conjunction with IFRS 13. The fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

GAV

The Gross Asset Value (GAV) of the recognized real estate investments. This consists of the owner-occupied properties, the investment properties including development to hold, the assets held for sale and the development to sell area. In the latter, both residential properties for which a purchase contract has been signed and those with the intention to sell – i.e., a purchase contract has not yet been signed – are included.

Group FFO

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. This key figure is not determined on the basis of any specific international reporting standard but is to be regarded as a supplement to other performance indicators determined in accordance with IFRS.

Maintenance

Maintenance covers the measures that are necessary to ensure that the property can continue to be used as intended over its useful life and that eliminate structural and other defects caused by wear and tear, age and weathering effects.

Vacancy Rate

The vacancy rate is the number of empty units as a percentage of the total units owned by the company. The vacant units are counted at the end of each month.

LTV Ratio (Loan-to-Value Ratio)

The LTV ratio shows the extent to which financial liabilities are covered. 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.

Rental Income

Rental income refers to the current gross income for rented units as agreed in the corresponding lease agreements before the deduction of non-transferable ancillary costs. The rental income from the Austrian property portfolio additionally includes maintenance and improvement contributions (EVB). The rental income from the portfolio in Sweden reflects inclusive rents, meaning that the amounts contain operating and heating costs.

Modernization Measures

Modernization measures are long-term and sustainable value-enhancing investments in housing and building stocks. Energy-efficient refurbishments generally involve improvements to the building shell and communal areas as well as the heat and electricity supply systems. Typical examples are the installation of heating systems, the renovation of balconies and the retrofitting of prefabricated balconies as well as the implementation of energy-saving projects, such as the installation of double-glazed windows and heat insulation, e.g., facade insulation, insulation of the top story ceilings and basement ceilings. In addition to modernization of the apartment electrics, the refurbishment work upgrades the apartments, typically through the installation of modern and/or accessible bathrooms, the installation of new doors and the laying of high-quality and non-slip flooring. Where required, the floor plans are altered to meet changed housing needs.

Monthly In-place Rent

The monthly in-place rent is measured in euros per square meter and is the current gross rental income per month for rented units as agreed in the corresponding rent agreements at the end of the relevant month before deduction of non-transferable ancillary costs divided by the living area of the rented units. The rental income from the Austrian property portfolio additionally includes maintenance and improvement contributions (EVB). The rental income from the portfolio in Sweden reflects inclusive rents, meaning that the amounts contain operating and heating costs.

The in-place rent is often referred to as the "Nettokaltmiete" (net rent excl. ancillary costs such as heating, etc.). The monthly in-place rent on a like-for-like basis refers to the monthly in-place rent for the residential portfolio that was already held by Vonovia twelve months previously, i.e., portfolio changes during this period are not included in the calculation of the in-place rent on a like-for-like basis. If we also include the increase in rent due to new construction measures and measures to add extra stories, then we arrive at the organic increase in rent.

Sustainability Performance Index (SPI)
Index to measure non-financial performance. Vonovia's sustainable activities are geared towards the top sustainability topics that we have identified, which are bundled in the Sustainability Performance Index. The Customer Satisfaction Index (CSI) is included in the calculation of the Sustainability Performance Index. The CSI is determined at regular intervals in systematic customer surveys conducted by an external service provider and shows the effectiveness and sustainability of our services for the customer. Other indicators used in the Sustainability Performance Index are the carbon savings achieved annually in housing stock, the energy efficiency of new buildings, the share of accessible (partial) modernization measures in relation to newly let apartments, the increase in employee satisfaction and diversity in the company's top management team.

Non-core Disposals
We also report on 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.

Rating
Classification of debtors or securities with regard to their creditworthiness or credit quality according to credit ratings. The classification is generally performed by rating agencies.

Recurring Sales
The Recurring Sales segment includes the regular and sustainable disposals of individual condominiums 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 our operating business within the narrower sense of the term. Therefore, these sales will be reported under "Other" in our segment reporting.

Fair Value Step-up
Fair value step-up is the difference between the income from selling a unit and its current fair value in relation to its fair value. It shows the percentage increase in value for the company on the sale of a unit before further costs of sale.

Cash-generating Unit (CGU)
The cash-generating unit refers, in connection with the impairment testing of goodwill, to the smallest group of assets that generates cash inflows and outflows independently of the use of other assets or other cash-generating units (CGUs).

Financial Calendar

March 18, 2022
Publication of the 2021 Annual Report

April 29, 2022
Annual General Meeting (virtual)

May 5, 2022
Publication of the interim statement for the first three months of 2022

August 3, 2022
Publication of the interim financial report for the first half of 2022

November 4, 2022
Publication of the interim statement for the first nine months of 2022

Note
This Annual Report is published in German and English. The German version is always the authoritative text. The Annual report can be found on the website at www.vonovia.de.

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This report contains forward-looking statements. These statements are based on the current experiences, assumptions and forecasts of the Management Board as well as information currently available to the Management Board. The forward-looking statements are not guarantees of the future developments and results mentioned therein. The future developments and results depend on a large number of factors. They involve certain risks and uncertainties and are based on assumptions that may prove to be inaccurate. These risk factors include but are not limited to those discussed in the risk report of the 2021 Annual Report. We do not assume any obligation to update the forward-looking statements contained in this report. This financial report does not constitute an offer to sell or the solicitation of an offer to subscribe for or buy any securities of Vonovia SE.

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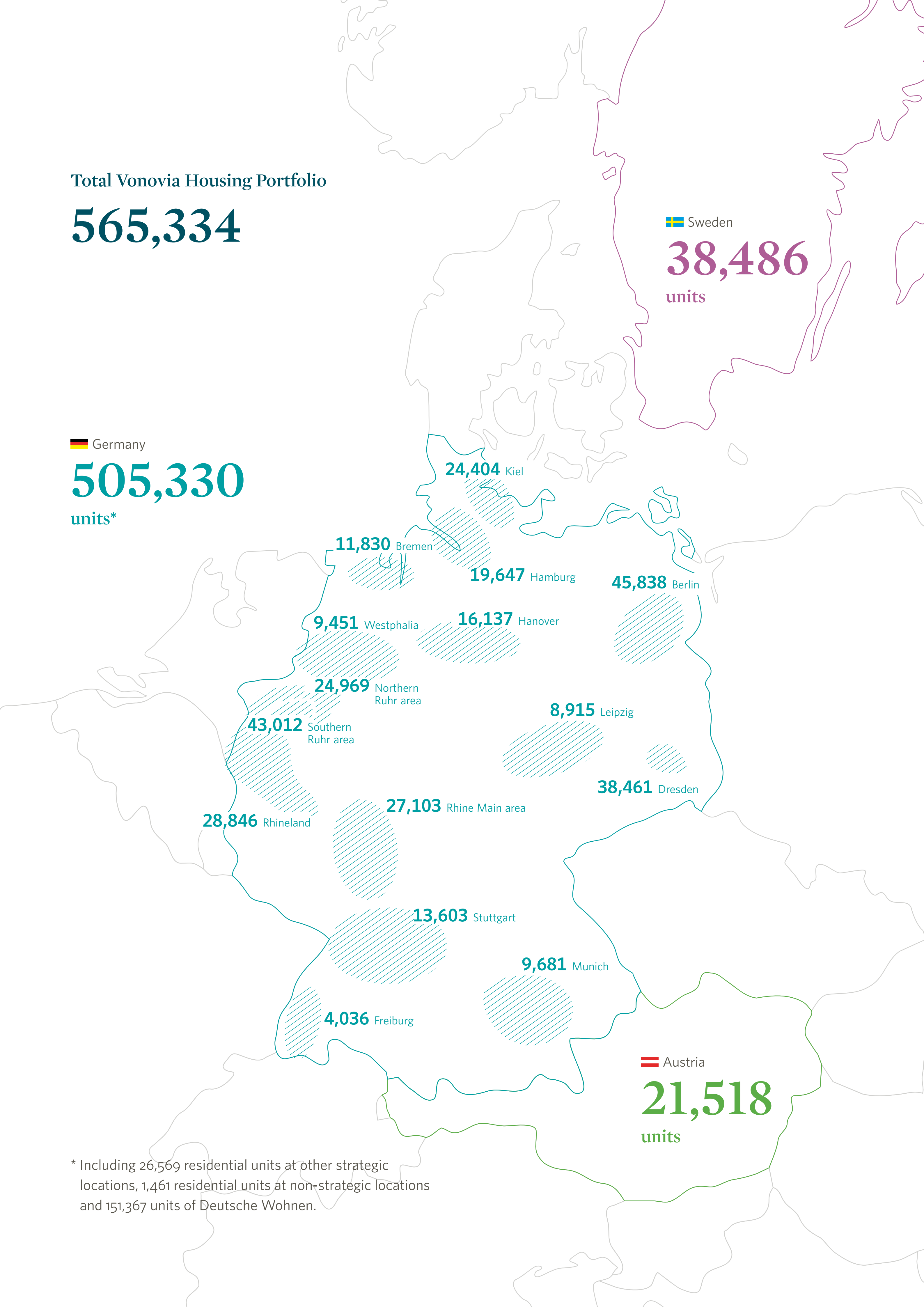
As of March 2022

Total Vonovia Housing Portfolio

565,334



* Including 26,569 residential units at other strategic locations, 1,461 residential units at non-strategic locations and 151,367 units of Deutsche Wohnen.