

# Business Development in the First Nine Months of 2022

## Overview

- > Virtually full occupancy with vacancy rate of 2.1%; this means stable cash flows as a basis for business.
- > Internal financing of planned investments with no further refinancing needs.
- > Customer satisfaction values remain high.

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## Sustained Earnings

### Group FFO\*

in € million



Group FFO per share (€) 2021 TERP adjusted

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

## Maintenance, Modernization and New Construction

### Investments

in € million



## Organic Rent Growth

### Organic Rent Increase

in %



## Vacancy

### Vacancy Rate

in %



## Net Assets

### EPRA NTA\*

in € million



EPRA NTA per share

\* Based on the new 2022 definition without addition of ancillary acquisition costs. 2021 adjusted after closing of Deutsche Wohnen PPA.

## Fair Value of the Real Estate Portfolio

### Fair Value

in € million



# Vonovia SE on the Capital Market

## Shares in Vonovia

Since the outbreak of the war in Ukraine in February 2022, the international capital markets have been dominated by ongoing investor concern regarding high inflation rates, rising interest rates, a slowdown in economic growth and the risk of a recession. In this environment, it came as little surprise to see a negative performance in almost all sectors: DAX -24%; EURO STOXX 50 -23%; EPRA Europe -41%.

In this exceptionally difficult overall market, shares in Vonovia reported above-average losses, trading at € 22.21 at the end of the third quarter. The negative trend seen in the second quarter continued in the third, which was dominated by an ongoing close negative correlation with government bond yields. Similarly, higher interest rates and the resulting capital market fears of a knock-on effect on earnings and property values likely played a decisive role in the drop in performance.

We are observing an ever-wider gap between capital market expectations on the one hand, and ongoing stable development on the residential real estate market on the other. While the capital market appears to be pricing in a massive correction, the residential property markets in which we operate remain robust.

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

The company's market capitalization amounted to around € 17.7 billion as of September 30, 2022.

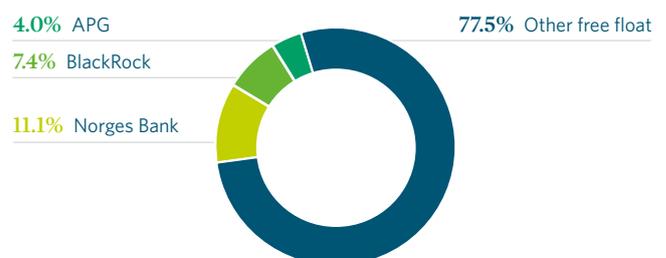
## Shareholder Structure

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

Based on the German stock exchange's definition of free float, only the interest held by Norges Bank (Ministry of Finance on behalf of Norway) does not count toward the free float. This means that 88.9% of Vonovia's shares were in free float on September 30, 2022. The underlying [voting rights notifications](#) and corresponding financial instruments reported by shareholders or other instruments pursuant to Sections 38, 39 WpHG can be found online.

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

### Major Shareholders (as of September 30, 2022)



## Share Price Development

■ Vonovia SE ■ DAX ■ FTSE EPRA Europe ■ EURO STOXX 50

Source: FactSet

in %



## Capital Markets Day

After a two-year pause due to the coronavirus pandemic, Vonovia's seventh Capital Markets Day was held in Bochum on September 27, 2022. We took the event, which focused on the ecological aspect of the megatrend of sustainability, as an opportunity to delve deeper into various topics including, in particular, the "Internet of Things," decarbonization tools and the Energy Center of the Future with around 50 investors and analysts. We concluded the Capital Markets Day with a property tour in Bochum. The presentations held at the Capital Markets Day can be downloaded [online](#).

## Investor Relations Activities

Vonovia SE is committed to transparent, ongoing dialogue with its shareholders and potential investors. We have continued with our road shows and meetings in 2022, both as virtual and face-to-face events. In the first nine months of 2022, Vonovia participated in a total of 24 investors' conference days and conducted 14 roadshow days.

In addition, numerous one-on-one meetings, video conferences and conference calls were held with investors and analysts to keep them informed of current developments and special issues. The following topics in particular dominated the meetings held in the first nine months of 2022: inflation, energy prices, interest rates, the capital structure and sustainability.

We will continue to communicate openly with the capital market. Various road shows, conferences and participation

in investor forums have already been planned. Information can be found in the Financial Calendar on our [Investor Relations website](#).

## Analyst Assessments

As of September 30, 2022, 24 international analysts were publishing research studies on Vonovia. The average target share price was € 42.70. Of these analysts, 75% issued a "buy" recommendation, with 21% issuing a "hold" recommendation and 4% a "sell" recommendation.

## Share Information (as of September 30, 2022)

First day of trading	July 11, 2013
Subscription price	€ 16.50   € 14.71*
Total number of shares	795,849,997
Share capital	€ 795,849,997
ISIN	DE000A1ML7J1
WKN	A1ML7J
Ticker symbol	VNA
Common code	94567408
Share class	Registered shares with no par value
Stock exchange	Frankfurt Stock Exchange
Market segment	Regulated market
Indices	DAX 40, EURO STOXX 50, DAX 50 ESG, Dow Jones Sustainability Index Europe, STOXX Global ESG Leaders, EURO STOXX ESG Leaders 50, FTSE EPRA/NAREIT Developed Europe and GPR 250 World

\* TERP-adjusted.

# Economic Development in the First Nine Months of 2022

## Key Events During the Reporting Period

Rising interest and inflation rates, also triggered by the war in Ukraine, coupled with uncertainty in the commodity markets and supply chains that remain disrupted, create a highly complex environment for corporate management.

The operating business was stable as expected overall, with moderate effects resulting from the Ukraine war and the coronavirus pandemic in some areas. These effects related primarily to the procurement of raw materials and to energy costs.

With a vacancy rate of 2.1%, Vonovia's portfolio was nearly fully occupied as of September 30, 2022. The Customer Satisfaction Index (CSI) increased in the third quarter of 2022 and was up by 0.5 percentage points on the previous quarter. The increase in a year-on-year comparison is 2.2 percentage points.

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

We remain convinced that the challenges associated with megatrends have not changed and that, in the housing industry, these can best be solved by thinking and acting in terms of neighborhoods.

As a result, the lion's share of the portfolio in Germany consists of neighborhoods that we have grouped together as urban quarters. The remaining existing buildings largely comprise smaller clusters of buildings and solitary properties that we have grouped together as urban clusters. Even though, unlike urban quarters, urban clusters do not relate to

entire neighborhoods, they are also managed using the same long-term asset and property management strategies based on our operating platform.

The latest portfolio analysis led to the creation of a further sales portfolio alongside the sales portfolio for non-strategic holdings (Non-core Disposals) and Recurring Sales within the strategic cluster. It consists of multifamily properties, primarily for internal financing purposes.

As a result of the higher interest rates, there was a further increase in the cost of capital, meaning that impairment losses amounting to € 122.0 million (value incl. final PPA adjustments) were recognized on goodwill and the trademark rights in the nursing and assisted living sector in the second quarter of 2022. Impairment losses of € 330.7 million were also recognized on investments accounted for using the equity method as of September 30, 2022. On the other hand, the increase in the discount rate for the measurement of pension provisions translated into actuarial gains.

In the second quarter of 2022, two bonds worth € 500 million each were repaid, one before its maturity date. In addition, commercial papers in the amount of a further € 500 million were also repaid as planned.

The work on integrating Deutsche Wohnen was continued as scheduled in the third quarter of 2022. After ensuring that the measures were consistent with the company law requirements and planning the details of the actual integration work, the first few system integration tests and preparatory measures were conducted in the third quarter of 2022.

The Annual General Meeting held on April 29, 2022, resolved to pay a dividend for the 2021 fiscal year in the amount of € 1.66 per share. In a year-on-year comparison, this corresponds to an increase of € 0.08 - taking into account the increased number of shares due to the capital increase

following the takeover of Deutsche Wohnen. 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 47.85% of the shares carrying dividend rights opted for the scrip dividend instead of the cash dividend. As a result, 19,252,608 new shares were issued using the company's authorized capital for a total of € 616,815,055.10. The total amount of the dividend distributed in cash therefore came to € 672,336,610.64.

## Results of Operations

### Overview

When analyzing the figures for the first nine months of 2022, it is important to remember that these only allow a comparison with the previous year to a limited extent, as Deutsche Wohnen's figures were not included in Vonovia's consolidated financial statements until September 30, 2021. Due to Vonovia's limited control influence on the operating results of companies accounted for using the equity method, the

earnings components of these companies will no longer be included in the performance-relevant figures Adjusted EBITDA Total and Group FFO for the September 30, 2022 reporting period. The corresponding prior-year figures have been adjusted.

In the first nine months of 2022, moderate effects of the war in Ukraine were reflected in the interim financial statements, particularly in energy and construction costs. The ongoing coronavirus pandemic also had a minor impact, especially in the Value-add segment.

All in all, Vonovia reported stable business development in the first nine months of 2022.

As of September 30, 2022, Vonovia employed 15,851 people (September 30, 2021: 16,051).

**Total segment revenue** in the Vonovia Group increased by 31.4% from € 3,517.0 million in the first nine months of 2021 to € 4,619.7 million in the first nine months of 2022. Deutsche Wohnen was the main contributor to this increase, with a volume of € 906.9 million in 2022.

### Total Segment Revenue

in € million	9M 2021	9M 2022	Change in %	12M 2021
Rental income	1,764.7	2,367.2	34.1	2,571.9
Other income from property management unless included in the operating expenses in the Rental segment	40.8	316.8	>100	141.7
Income from disposals Recurring Sales (incl. Deutsche Wohnen)	422.2	392.6	-7.0	477.2
Internal revenue Value-add	798.3	851.5	6.7	1,107.2
Income from disposal of properties	328.8	486.9	48.1	519.6
Fair value Development to hold (incl. Deutsche Wohnen)	162.2	204.7	26.2	362.3
<b>Total Segment Revenue</b>	<b>3,517.0</b>	<b>4,619.7</b>	<b>31.4</b>	<b>5,179.9</b>

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

## Group FFO

in € million	9M 2021*	9M 2022	Change in %	12M 2021*
Revenue in the Rental segment	1,762.7	1,789.0	1.5	2,361.6
Expenses for maintenance	-245.3	-250.5	2.1	-332.7
Operating expenses in the Rental segment	-277.8	-291.3	4.9	-389.5
<b>Adjusted EBITDA Rental</b>	<b>1,239.6</b>	<b>1,247.2</b>	<b>0.6</b>	<b>1,639.4</b>
Revenue in the Value-add segment	840.1	916.5	9.1	1,165.8
thereof external revenue	41.8	65.0	55.5	58.6
thereof internal revenue	798.3	851.5	6.7	1,107.2
Operating expenses in the Value-add segment	-724.5	-800.6	10.5	-1,017.0
<b>Adjusted EBITDA Value-add</b>	<b>115.6</b>	<b>115.9</b>	<b>0.3</b>	<b>148.8</b>
Revenue in the Recurring Sales segment	422.2	378.6	-10.3	477.0
Fair value of properties sold adjusted to reflect effects not relating to the period from assets held for sale in the Recurring Sales segment	-302.7	-263.1	-13.1	-343.7
<b>Adjusted result Recurring Sales</b>	<b>119.5</b>	<b>115.5</b>	<b>-3.3</b>	<b>133.3</b>
Selling costs in the Recurring Sales segment	-14.0	-11.2	-20.0	-19.3
<b>Adjusted EBITDA Recurring Sales</b>	<b>105.5</b>	<b>104.3</b>	<b>-1.1</b>	<b>114.0</b>
Revenue from disposal of Development to sell properties	328.8	456.7	38.9	503.7
Cost of Development to sell	-270.3	-362.9	34.3	-367.2
<b>Gross profit Development to sell</b>	<b>58.5</b>	<b>93.8</b>	<b>60.3</b>	<b>136.5</b>
Fair value Development to hold	162.2	170.3	5.0	362.3
Cost of Development to hold**	-117.9	-129.3	9.7	-277.4
<b>Gross profit Development to hold</b>	<b>44.3</b>	<b>41.0</b>	<b>-7.4</b>	<b>84.9</b>
Rental revenue Development	1.0	1.7	70.0	1.8
Operating expenses in the Development segment	-24.0	-23.7	-1.3	-35.5
<b>Adjusted EBITDA Development</b>	<b>79.8</b>	<b>112.8</b>	<b>41.4</b>	<b>187.7</b>
<b>Adjusted EBITDA Deutsche Wohnen</b>	<b>-</b>	<b>529.9</b>	<b>-</b>	<b>164.5</b>
<b>Adjusted EBITDA Total</b>	<b>1,540.5</b>	<b>2,110.1</b>	<b>37.0</b>	<b>2,254.4</b>
FFO interest expense	-267.5	-361.9	35.3	-397.7
Current income taxes FFO	-58.2	-97.3	67.2	-65.2
Consolidation***	-45.9	-73.1	59.3	-97.1
<b>Group FFO</b>	<b>1,168.9</b>	<b>1,577.8</b>	<b>35.0</b>	<b>1,694.4</b>
<b>Group FFO after non-controlling interests</b>	<b>1,153.1</b>	<b>1,515.8</b>	<b>31.5</b>	<b>1,654.4</b>

\* Prior-year figures adjusted to new adjusted EBITDA definition (excluding results from at-equity investments), adjustments Adjusted EBITDA Total/Group FFO 9M 2021: € 0.4 million, 12M 2021: € 14.9 million.

\*\* Excluding capitalized interest on borrowed capital in 9M 2022 of € 0.0 million (9M 2021 € 0.9 million), 12M 2021: € 0.9 million.

\*\*\* Based on the new 2022 definition, without elimination of IFRS 16 effect, thereof intragroup profits in 9M 2022: € -22.4 million (9M 2021: € -27.2 million), 12M 2021: € -37.8 million, gross profit Development to hold in 9M 2022: € -41.0 million (9M 2021: € -44.3 million), 12M 2021: € -84.9 million, 9M and 12M 2021: FFO-at-equity effect Deutsche Wohnen: € 25.6 million.

At the end of September 2022, Vonovia (including Deutsche Wohnen) managed a portfolio comprising 549,010 of its own residential units (September 30, 2021: 568,451), 163,727 garages and parking spaces (September 30, 2021: 170,147) and 8,858 commercial units (September 30, 2021: 9,365). 72,386 residential units (September 30, 2021: 71,427) are also managed for other owners.

### Details on results of operations by segment

#### **Rental segment**

At the end of September 2022, the portfolio in the Rental segment had a vacancy rate of 2.2% (end of Q3 2021: 2.7%), meaning that our apartments were once again virtually fully occupied.

The segment revenue in the Rental segment increased by 1.5% year-on-year in the first nine months of 2022, mainly due to organic growth resulting from new construction and modernization and also taking into account the Berlin portfolio that was sold at the start of 2022 (9M 2021: 3.3%), to total € 1,789.0 million. Of the segment revenue in the Rental segment in the 2022 reporting period, € 1,439.4 million is attributable to rental income in Germany (9M 2021: € 1,414.7 million), € 267.6 million to rental income in Sweden (9M 2021: € 266.6 million) and € 82.0 million to rental income in Austria (9M 2021: € 81.4 million).

**Organic rent growth** (twelve-month rolling) totaled 3.3% (3.5% as of September 30, 2021). The current rent increase due to market-related factors came to 1.0% (1.1% as of September 30, 2021) and the increase from property value improvements translated into a further 1.6% (1.8% as of September 30, 2021). All in all, this produces a **like-for-like rent increase** of 2.6% (2.9% as of September 30, 2021). New construction measures and measures to add extra stories also contributed 0.7% (0.6% as of September 30, 2021) to organic rent growth.

The average monthly in-place rent within the Rental segment at the end of September 2022 came to € 7.47 per m<sup>2</sup> (excluding Deutsche Wohnen) compared to € 7.34 per m<sup>2</sup> at the end of September 2021. The monthly in-place rent in the German portfolio at the end of September 2022 came to € 7.33 per m<sup>2</sup> (September 30, 2021: € 7.14 per m<sup>2</sup>), with the figure for the Swedish portfolio coming to € 9.93 per m<sup>2</sup> (September 30, 2021: € 10.34 per m<sup>2</sup>) and the figure for the Austrian portfolio coming to € 5.05 per m<sup>2</sup> (September 30, 2021: € 4.87 per m<sup>2</sup>). The rental income from the portfolio in Sweden reflects inclusive rents, meaning that the amounts contain operating, heating and water supply costs. The rental income from the Austrian real estate portfolio additionally includes maintenance and improvement contributions (EVB).

We have continued with our modernization, new construction and maintenance strategy in the 2022 fiscal year. The overview below provides details on maintenance, modernization and new construction.

### **Maintenance, Modernization and New Construction**

in € million	9M 2021	9M 2022	Change in %	12M 2021
Expenses for maintenance	245.3	250.5	2.1	332.7
Capitalized maintenance	208.2	216.6	4.0	333.7
<b>Maintenance measures</b>	<b>453.5</b>	<b>467.1</b>	<b>3.0</b>	<b>666.4</b>
Modernization measures	547.8	518.8	-5.3	758.6
New construction (to hold)	353.8	345.1	-2.5	526.6
<b>Modernization and new construction measures</b>	<b>901.6</b>	<b>863.9</b>	<b>-4.2</b>	<b>1,285.2</b>
<b>Cost of maintenance, modernization and new construction Deutsche Wohnen</b>	<b>-</b>	<b>424.3</b>	<b>-</b>	<b>234.0</b>
<b>Total cost of maintenance, modernization and new construction</b>	<b>1,355.1</b>	<b>1,755.3</b>	<b>29.5</b>	<b>2,185.6</b>

Operating expenses in the Rental segment in the first nine months of 2022 were up by 4.9% on the figures for the first nine months of 2021, from € 277.8 million to € 291.3 million. This was due, in particular, to higher administrative expenses.

All in all, the **Adjusted EBITDA Rental** came to € 1,247.2 million in the first nine months of 2022, up by 0.6% on the prior-year value of € 1,239.6 million.

### Value-add segment

The **Value-add segment** continued to feel a slight impact of the coronavirus pandemic and cost increases sparked by the war in Ukraine. All in all, revenue from the Value-add segment came to € 916.5 million in the 2022 reporting period, up by 9.1% on the value of € 840.1 million seen in the first nine months of 2021. External revenue from our Value-add activities with our end customers in the first nine months of 2022 were up by 55.5% on the first nine months of 2021, from € 41.8 million to € 65.0 million, mainly due to energy distribution. Group revenue rose by 6.7% from € 798.3 million in the first nine months of 2021 to € 851.5 million in the first nine months of 2022.

Operating expenses in the Value-add segment in the first nine months of 2022 were up by 10.5% on the figures for the first nine months of 2021, from € 724.5 million to € 800.6 million. This was due, in particular, to higher energy and construction costs and the use of more third-party services.

**Adjusted EBITDA Value-add** came to € 115.9 million in the first nine months of 2022, 0.3% higher than the figure of € 115.6 million reported for the first nine months of 2021.

### Recurring Sales segment

In the **Recurring Sales segment**, income from the disposal of properties in the first nine months of 2022 were down to € 378.6 million, 10.3% lower than the 2021 value of € 422.2 million due to volume-related factors, with 1,711 units sold (9M 2021: 2,367), thereof 1,314 in Germany (9M 2021: 1,928) and 397 in Austria (9M 2021: 439). Income of € 272.9 million is attributable to sales in Germany (9M 2021: € 321.6 million) and € 105.5 million to sales in Austria (9M 2021: € 100.6 million).

In the first nine months of 2022, the fair value step-up in the portfolio came to 43.9%, up on the value of 39.5% seen in the first nine months of 2021. This was due primarily to much higher step-ups for sales in Austria.

Selling costs in the Recurring Sales segment came in at € 11.2 million in the first nine months of 2022, down by 20.0% on the value of € 14.0 million seen in the first nine months of 2021. **Adjusted EBITDA Recurring Sales** came in at € 104.3 million in the first nine months of 2022, down by 1.1% on the value of € 105.5 million seen in the first nine months of 2021 due to volume-related factors, despite an improved margin.

In addition, we made 4,871 Non-core Disposals of residential units as part of our portfolio adjustment measures in the first nine months of 2022 (9M 2021: 620) with total proceeds of € 978.0 million (9M 2021: € 49.5 million). This also in-

cludes the block sale from Vonovia's Berlin portfolio. At 5.1%, the fair value step-up for Non-core Disposals in the 2022 reporting period was lower than for the same period in the previous year (50.7%).

### Development segment

In the "Development to sell" area, a total of 636 units were completed in the first nine months of 2022 (9M 2021: 580), thereof 60 in Germany (9M 2021: 496) and 576 units in Austria (9M 2021: 84 units). In the first nine months of 2022, income from the disposal of "Development to sell" properties amounted to € 456.7 million (9M 2021: € 328.8 million), with € 213.4 million attributable to project development in Germany (9M 2021: € 174.3 million) and € 243.3 million to project development in Austria (9M 2021: € 154.5 million). The increase in proceeds in 2022 was primarily due to a global exit (Gäblerstrasse). The resulting gross profit for "Development to sell" came to € 93.8 million in the first nine months of 2022 (9M 2021: € 58.5 million).

In the "Development to hold" area, a total of 816 units were completed in the first nine months of 2022 (9M 2021: 786 units), thereof 716 in Germany (9M 2021: 506 units) and 100 in Sweden (9M 2021: 154; in Austria 9M 2021: 126 units). In the Development to hold area, a fair value of € 170.3 million was achieved in the 2022 reporting period (9M 2021: € 162.2 million), which was fully attributable to project development in Germany (9M 2021: € 96.5 million, Sweden 9M 2021: € 21.4 million, Austria 9M 2021: € 44.3 million). The gross profit for "Development to hold" came to € 41.0 million in the first nine months of 2022 (9M 2021: € 44.3 million).

Development operating expenses came to € 23.7 million in the first nine months of 2022, down by 1.3% on the value of € 24.0 million seen in the first nine months of 2021. The **Adjusted EBITDA for the Development segment** amounted to € 112.8 million in the 2022 reporting period (9M 2021: € 79.8 million).

### Deutsche Wohnen segment

At the end of the third quarter of 2022, Deutsche Wohnen's portfolio comprised 140,079 residential units. It continued to be virtually fully occupied with a vacancy rate of 1.8%.

In the first nine months of 2022, the Deutsche Wohnen Group generated segment revenue of € 906.9 million, of which € 575.5 million was mainly attributable to rental income and € 207.9 million to income from the nursing and assisted living sector.

**Adjusted EBITDA Deutsche Wohnen** came to € 529.9 million in the first nine months of 2022.

At the end of September 2022, the average monthly in-place rent in the Deutsche Wohnen portfolio came to € 7.45 per m<sup>2</sup>.

In the first nine months of 2022, a total of 11,786 units were sold from the Deutsche Wohnen portfolio.

### Group FFO

In the first nine months of the year, Group FFO rose by 35.0% from € 1,169.3 million (based on the new 2022 definition, without eliminating IFRS 16 effects) in the first nine months of 2021 to € 1,577.8 million. In the first nine months of 2022, Deutsche Wohnen contributed a total of € 439.5 million to Group FFO (2021: at-equity effect of € 25.6 million).

**Adjusted EBITDA Total** rose by 37.0% from € 1,540.5 million in the first nine months of 2021 to € 2,110.1 million in the first nine months of 2022.

In the 2022 reporting period, the non-recurring items eliminated in the Adjusted EBITDA Total came to € 26.0 million (9M 2021: € 26.0 million). This was largely due to special effects resulting from the debt recovery action in connection with the loan granted to the Adler Group, as well as the elimination of an earn-out clause that had a positive earnings effect.

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

### Non-recurring Items

in € million	9M 2021	9M 2022	Change in %	12M 2021
Transactions*	21.5	18.0	-16.3	14.1
Personnel matters	0.3	-6.8	-	1.6
Business model optimization	7.8	11.2	43.6	24.2
Research & development	2.8	2.6	-7.1	3.6
Refinancing and equity measures	-6.4	1.0	-	-6.4
<b>Total non-recurring items</b>	<b>26.0</b>	<b>26.0</b>	<b>-</b>	<b>37.1</b>

\* 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 € -410.9 million in the first nine months of 2021 to € -204.2 million in the first nine months of 2022. FFO interest expense is derived from the financial result as follows:

### Reconciliation of Financial Result/FFO Interest Expense

in € million	9M 2021	9M 2022	Change in %	12M 2021
Interest income	4.9	50.6	>100	21.5
Interest expense	-280.5	-234.3	-16.5	-411.6
Other financial result excluding income from investments	-135.3	-20.5	-84.8	-164.8
<b>Financial result*</b>	<b>-410.9</b>	<b>-204.2</b>	<b>-50.3</b>	<b>-554.9</b>
Adjustments:				
Other financial result excluding income from investments	135.3	20.5	-84.8	164.8
Effects from the valuation of interest rate and currency derivatives	-8.9	-137.7	>100	-20.4
Prepayment penalties and commitment interest	2.8	10.2	>100	22.7
Effects from the valuation of non-derivative financial instruments	-16.3	-54.7	>100	-43.3
Interest accretion to provisions	3.0	7.7	>100	9.8
Accrued interest/other effects	33.4	-49.6	-	30.9
<b>Net cash interest</b>	<b>-261.6</b>	<b>-407.8</b>	<b>55.9</b>	<b>-390.4</b>
Adjustment for IFRS 16 Leases	7.3	8.4	15.1	10.3
Adjustment of income from investments in other real estate companies	15.1	6.6	-56.3	15.7
Adjustment of interest paid due to taxes	-1.2	-0.6	-50.0	-1.8
Adjustment of accrued interest	-27.1	31.5	-	-31.5
<b>Interest expense FFO</b>	<b>-267.5</b>	<b>-361.9</b>	<b>35.3</b>	<b>-397.7</b>

\* Excluding income from other investments.

In the first nine months of 2022, **profit for the period** came to € 2,211.7 million (9M 2021: € 3,869.1 million). In the first nine months of 2022, the Deutsche Wohnen Group is included in profit for the period in full. Profit for the period is, however, also influenced to a considerable degree by valuation effects, also due to rising interest rates and inflation, as well as the sideways movement in the value of investment properties in the third quarter of 2022. In the first nine months of 2022, impairment losses due to the increased cost of capital were attributable to goodwill and trademark rights in the nursing and assisted living sector, as well as to investments accounted for using the equity method.

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

### Reconciliation of Profit for the Period/Group FFO

in € million	9M 2021*	9M 2022	Change in %	12M 2021*
<b>Profit for the period</b>	<b>3,869.1</b>	<b>2,211.7</b>	<b>-42.8</b>	<b>2,440.5</b>
Financial result**	410.9	204.2	-50.3	554.9
Income taxes	1,964.1	1,168.0	-40.5	2,651.5
Depreciation and amortization (incl. depreciation on financial assets)	255.8	1,140.1	>100	3,888.6
Impairments and result of assets accounted for using the equity method	-1.2	425.0	-	-14.9
Net income from fair value adjustments of investment properties	-5,073.0	-3,137.6	-38.2	-7,393.8
Non-recurring items	26.0	26.0	-	37.1
Total period adjustments from assets held for sale	46.1	38.4	-16.7	-6.0
Income from investments in other real estate companies	-15.0	-6.6	-56.0	-15.7
Other	-13.8	-32.0	>100	-10.5
Intragroup profits	27.2	22.4	-17.6	37.8
Gross profit Development to hold (incl. DW)	44.3	50.5	14.0	84.9
<b>Adjusted EBITDA Total</b>	<b>1,540.5</b>	<b>2,110.1</b>	<b>37.0</b>	<b>2,254.4</b>
Interest expense FFO***	-267.5	-361.9	35.3	-397.7
Current income taxes FFO	-58.2	-97.3	67.2	-65.2
Consolidation	-45.9	-73.1	59.3	-97.1
<b>Group FFO****</b>	<b>1,168.9</b>	<b>1,577.8</b>	<b>35.0</b>	<b>1,694.4</b>
<b>Group FFO after non-controlling interests</b>	<b>1,153.1</b>	<b>1,515.8</b>	<b>31.5</b>	<b>1,654.4</b>
Group FFO per share in €****	1.90	1.98	4.2	2.18

\* Prior-year figures adjusted to new adjusted EBITDA definition (excluding results from at-equity investments), adjustments Adjusted EBITDA Total/Group FFO 9M 2021: € 0.4 million, 12M 2021: € 14.9 million.

\*\* Excluding income from other investments.

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

\*\*\*\*Based on the new 2022 definition without elimination of IFRS 16 effect, Group FFO per share based on the shares carrying dividend rights on the reporting date, prior-year values TERP-adjusted (1,067).

## Assets

### Consolidated Balance Sheet Structure

	Dec. 31, 2021*		Sep. 30, 2022	
	in € million	in %	in € million	in %
Non-current assets	99,138.5	93.6	101,452.3	95.6
Current assets	6,775.8	6.4	4,621.1	4.4
<b>Total assets</b>	<b>105,914.3</b>	<b>100.0</b>	<b>106,073.4</b>	<b>100.0</b>
Equity	36,139.1	34.1	37,424.6	35.3
Non-current liabilities	60,713.2	57.3	63,448.1	59.8
Current liabilities	9,062.0	8.6	5,200.7	4.9
<b>Total equity and liabilities</b>	<b>105,914.3</b>	<b>100.0</b>	<b>106,073.4</b>	<b>100.0</b>

\* Adjusted after closing of Deutsche Wohnen PPA.

The Group's **total assets** increased by € 159.1 million as against December 31, 2021, up from € 105,914.3 million to € 106,073.4 million. The development in non-current assets is dominated by the impairment of goodwill of € 954.2 million. By contrast, investment properties rose by € 3,984.7 million, primarily as a result of the revaluation in the first six months. The value of financial assets accounted for using the equity method fell in the course of the year due to impairment losses and earnings adjustments.

The development in current assets is characterized first of all by the disposal of assets held for sale in the amount of € 2,578.8 million. This relates largely to the parts of the portfolio that were sold to Berlin public housing companies. Second, cash and cash equivalents fell by € 76.3 million from € 1,432.8 million to € 1,356.5 million.

Goodwill and trademark rights comprised 1.5% of the total assets.

As of September 30, 2022, the **gross asset value (GAV)** of Vonovia's property assets came to € 99,599.9 million. This corresponds to 93.9% of total assets, as against € 98,225.3 million or 92.4% at the end of 2021.

**Total equity** rose by € 1,285.5 million from € 36,139.1 million to € 37,424.6 million, due in particular to the profit for the period of € 2,211.7 million and the cash dividend distribution of € 672.3 million, which had the opposite effect. Equity was reduced by € 85.0 million not affecting net income, largely due to the disposal of non-controlling interests via purchases of shares in GSW Immobilien AG, the sale of companies in the context of the Berlin Deal and actuarial gains from provisions for pensions.

This brings the **equity ratio** to 35.3%, compared with 34.1% at the end of 2021.

**Liabilities** fell by € 1,124.8 million from € 69,775.2 million to € 68,650.4 million. The amount of non-current non-derivative financial liabilities increased by € 1,876.4 million, in particular due to a promissory note transaction and the issue of social bonds and green bonds, whereas current non-derivative financial liabilities fell by € 3,261.2 million at the same time.

Deferred tax liabilities increased by € 1,195.0 million, mostly due to the revaluation of investment properties.

After the reporting date of September 30, 2022, the Management Board decided to reassign the first tranche of around 20 development projects from to-hold to to-sell in order to bolster the internal financing.

### Net Assets

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

At the end of the third quarter of 2022, the EPRA NTA came to € 49,771.2 million, up by 2.3% on the value of € 48,640.8 million seen at the end of 2021 (based on the new 2022 definition; following the conclusion of the PPA for Deutsche Wohnen). EPRA NTA per share increased from € 62.63 at the end of 2021 to € 62.54 at the end of the third quarter of 2022.

### EPRA Net Tangible Assets (EPRA NTA)

in € million	Dec. 31, 2021	Sep. 30, 2022	Change in %
<b>Total equity attributable to Vonovia shareholders</b>	<b>32,896.7</b>	<b>34,076.6</b>	<b>3.6</b>
Deferred tax in relation to fair value gains of investment properties*	18,438.4	17,449.3	-5.4
Fair value of financial instruments**	28.6	-86.8	-
Goodwill as per the IFRS balance sheet***	-2,484.1	-1,529.9	-38.4
Intangibles as per the IFRS balance sheet***	-238.8	-138.0	-42.2
<b>EPRA NTA****</b>	<b>48,640.8</b>	<b>49,771.2</b>	<b>2.3</b>
<b>EPRA NTA per share in €****</b>	<b>62.63</b>	<b>62.54</b>	<b>-0.2</b>

\* Proportion of hold portfolio.

\*\* Adjusted for effects from cross currency swaps.

\*\*\* Adjusted after closing of Deutsche Wohnen PPA.

\*\*\*\*Based on the new 2022 definition excluding real estate transfer tax. EPRA NTA per share based on the shares carrying dividend rights on the reporting date.

## Fair Values

Major market developments and valuation parameters that have an impact on the fair values of Vonovia are assessed on an ongoing basis.

The evaluation of the market trend with a view to September 30, 2022, showed a general sideways trend in fair values for Vonovia's real estate portfolios in the third quarter. The fair values recalculated at the end of the first half of the year have been adjusted to reflect the investments made up to September 30, 2022.

In addition, buildings under construction (new construction/development to hold) were completed during the nine-month period. A fair value measurement is performed for the first time when the properties are completed. This resulted in a valuation effect of € 50.5 million for the period from January 1 to September 30, 2022 (9M 2021: € 44.3 million).

A complete remeasurement of the entire portfolio, taking into account the updated portfolio data, market developments and in particular the discounting and capitalized interest rates, will be performed again for the annual financial statements.

The recognition and valuation of investment properties are explained in detail in the consolidated financial statements for 2021.

## Financial Position

### Cash Flow

The Group cash flow is as follows:

#### Key Data from the Statement of Cash Flows

in € million	9M 2021	9M 2022
Cash flow from operating activities	1,026.3	1,488.9
Cash flow from investing activities	-8,625.1	923.2
Cash flow from financing activities	9,161.5	-2,483.0
Influence of changes in foreign exchange rates	-1.6	-5.4
Change in cash and cash equivalents related to assets held for sale	-1.1	-
Net changes in cash and cash equivalents	1,560.0	-76.3
<b>Cash and cash equivalents at the beginning of the period</b>	<b>613.3</b>	<b>1,432.8</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>2,173.3</b>	<b>1,356.5</b>

The cash flow from **operating activities** came to € 1,488.9 million for the first nine months of 2022 compared with € 1,026.3 million for the first nine months of 2021. In particular, this reflects the higher operating result due to the inclusion of Deutsche Wohnen, measured in the Adjusted EBITDA key figures.

The cash flow **from investing activities** shows net proceeds of € 923.2 million for the first nine months of 2022. This figure is characterized primarily by the sale of residential and commercial units to public housing companies in Berlin based on the agreement reached with the Berlin State Government in 2021. Payments for the acquisition of investment properties came to € 1,749.2 million in the first nine months of 2022 (9M 2021: € 1,148.9 million). On the other hand, income from portfolio sales in the amount of € 2,900.9 million was collected (9M 2021: € 481.3 million). Payments for investments in other assets amounted to € 152.9 million in the first nine months of 2022 (9M 2021: € 473.2 million).

The cash flow from **financing activities** includes payments for regular and unscheduled repayments in the amount of € 6,444.3 million (9M 2021: € 2,165.7 million) and, on the other hand, proceeds from issuing financial liabilities in the amount of € 5,208.2 million (9M 2021: € 12,314.3 million). Payouts for transaction and financing costs amounted to € 47.3 million (9M 2021: € 203.8 million). Interest paid in the first nine months of 2022 amounted to € 424.7 million (9M 2021: € 267.0 million).

Net changes in **cash and cash equivalents** came to € -76.3 million.

### **Financing**

According to the publication dated August 26, 2022, Vonovia's credit rating as awarded by the agency Standard & Poor's is unchanged at **BBB+** with a positive outlook for the long-term issuer credit rating and A-2 for the short-term issuer credit rating. At the same time, the credit rating for the issued and unsecured bonds is **BBB+**.

Vonovia received an A- investment grade rating from the rating agency Scope, which was most recently confirmed in a publication dated July 8, 2022.

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. As per the announcement dated November 1, 2022, this rating was changed to Baa1 with a stable outlook after the reporting date of September 30.

Vonovia SE has launched an **EMTN program** (European medium-term notes program). This program, which was originally launched via Vonovia Finance B.V., allows funds to be raised quickly at any time, without any major administrative outlay, using bond issues. The prospectus for the € 40 billion program, which was published on March 18, 2022, is to be updated annually and approved by the financial supervisory authority of the Grand Duchy of Luxembourg (CSSF).

As of the reporting date of September 30, 2022, Vonovia had placed a total bond volume of € 26.2 billion, € 26.0 billion of which relates to the EMTN program. Deutsche Wohnen bonds worth a further € 1.7 billion were also assumed.

On January 18, 2022, Vonovia SE took out a commercial paper of € 500.0 million with a maturity of three months. This was repaid in full on April 21, 2022.

A bond in the amount of € 500.0 million issued in 2017 was repaid as scheduled in January 2022.

Deutsche Wohnen repaid registered bonds worth € 150.0 million and a bearer bond in the amount of € 100.0 million as scheduled in January 2022.

In addition, an unscheduled repayment was made on a registered bond in the amount of € 76.3 million in February 2022.

On February 16, 2022, Vonovia SE issued promissory note loans of € 1,010.0 million with terms of between 5 and 30 years and an average interest rate of 1.13%.

On February 25, 2022, Vonovia took out secured financing with Landesbank Baden-Württemberg in the amount of € 175.0 million with a maturity of ten years.

On February 25, 2022, Vonovia SE took out an unsecured loan with Caixabank S.A. in the amount of € 142.0 million with a maturity of five years.

On February 25, 2022, Vonovia SE took out an unsecured loan with DZ Bank AG in the amount of € 250.0 million with a maturity of seven years.

The bridge facility taken out in connection with the acquisition of Deutsche Wohnen was repaid in full as of March 1, 2022.

On March 21, 2022, Vonovia SE placed two social bonds in a total amount of € 1,650.0 million with maturities of 3.85 and 6.25 years, as well as a green bond worth € 850.0 million with a maturity of ten years. The bonds, which have a total amount of € 2,500.0 million, bear interest at a rate of 1.375%, 1.875% and 2.375%.

On March 30, 2022, Vonovia issued two variable-rate SEK bonds worth SEK 1,250.0 million with maturities of 2 and 5 years that were disbursed on April 8, 2022.

On April 1, 2022, Vonovia took out secured financing with Berlin Hyp in the amount of € 175.0 million with a maturity of ten years.

On April 12, 2022, Vonovia took out secured financing with Bayern LB in the amount of € 150.0 million with a maturity of ten years.

May 2022 saw the early repayment of a € 500.0 million bond from 2014 that was set to mature in July 2022.

In June 2022, a € 500.0 million bond from 2016 was repaid as scheduled.

The **debt maturity profile** of Vonovia's financing was as follows as of September 30, 2022:

### Debt Maturity Profile on September 30, 2022 (face values)



In connection with the issue of unsecured bonds, Vonovia has undertaken to comply with the following standard market covenants:

- > Limitations on incurrence of financial indebtedness
- > Maintenance of consolidated coverage ratio
- > Maintenance of total unencumbered assets

The existing structured and secured financing arrangements also require adherence to certain standard market covenants. Any failure to meet the agreed financial covenants could have a negative effect on the liquidity status.

The LTV (loan to value) is as follows as of the reporting date:

in € million	Dec. 31, 2021*	Sep. 30, 2022	Change in %
Non-derivative financial liabilities	47,229.5	45,644.2	-3.4
Foreign exchange rate effects	-36.1	-71.3	97.5
Cash and cash equivalents**	-1,932.4	-1,956.5	1.2
<b>Net debt</b>	<b>45,261.0</b>	<b>43,616.4</b>	<b>-3.6</b>
Sales receivables	-69.9	74.7	-
<b>Adjusted net debt</b>	<b>45,191.1</b>	<b>43,691.1</b>	<b>-3.3</b>
<b>Fair value of the real estate portfolio</b>	<b>97,845.3</b>	<b>99,238.9</b>	<b>1.4</b>
Loans to companies holding immovable property and land	1,042.1	889.1	-14.7
Shares in other real estate companies	752.4	523.4	-30.4
<b>Adjusted fair value of the real estate portfolio</b>	<b>99,639.8</b>	<b>100,651.4</b>	<b>1.0</b>
<b>LTV</b>	<b>45.4%</b>	<b>43.4%</b>	<b>-2.0 pp</b>

\* Adjusted after closing of Deutsche Wohnen PPA.

\*\* Incl. term deposits not classified as cash equivalents.

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

in € million	Dec. 31, 2021*	Sep. 30, 2022	Change in %
Non-derivative financial liabilities	47,229.5	45,644.2	-3.4
<b>Total assets</b>	<b>105,914.3</b>	<b>106,073.4</b>	<b>0.2</b>
<b>LTV bond covenants</b>	<b>44.6%</b>	<b>43.0%</b>	<b>-1.3 pp</b>

\* Adjusted after closing of Deutsche Wohnen PPA.

# Business Outlook

The forecast for the 2022 fiscal year was based on the accounting principles used in the consolidated financial statements. The current forecast does not take account of any larger acquisitions of real estate portfolios.

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, possible opportunities and risks, the potential impact of the coronavirus pandemic and, to the extent that it can be forecast, potential effects of the war in Ukraine. The forecast also includes the key overall macroeconomic developments and the economic factors that are relevant to the real estate industry and our corporate strategy. Further information is provided in the sections of the 2021 Group management report entitled “Fundamental Information About the Group” and “Development of the Economy and the Industry.”

We expect price increases triggered by the Ukraine crisis, particularly on the energy markets, to have a substantial impact on Vonovia and our customers. While these will have a direct impact on ancillary expenses, they will also have an indirect effect on all areas of the economy due to general price increases. We also expect to see further price increases on the construction materials markets, with a knock-on effect on our construction projects, too. To the extent that the statutory provisions allow, we plan to pass these price increases in the context of our modernization measures on to our tenants as well.

We expect segment revenue to increase further in 2022. We are also currently observing stable demand for rental apartments and a sideways movement in the fair values of our properties.

We also expect to see a considerable increase in Adjusted EBITDA Total and Group FFO, in particular due to the acquisition of Deutsche Wohnen.

In 2022, we expect EPRA NTA per share to be at the previous year's level, leaving any further market-related changes in value out of the equation.

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

Rising interest rates and inflation are currently resulting in increased volatility on the equity and debt capital markets, also due to, or exacerbated by, the war in Ukraine. We therefore assess the overall economic situation and developments on an ongoing basis, in particular with regard to the return requirements for investment and divestment decisions. This means that the classification of development projects as “to hold” or “to sell”, decisions on the start of construction, the implementation of portfolio investments and decisions on the sale of property portfolios are currently being reassessed. Consequently, we are anticipating a decline in modernization/portfolio investments and construction/densification in 2023.

The table below, which shows material and selected key indicators, provides a forecast overview for 2022 and an outlook for 2023.

	Actual 2021	Forecast for 2022	Forecast for 2022 in the 2022 H1 Report	Forecast for 2022 in the 2022 Q3 Report	Outlook 2023
Total Segment Revenue	€ 5.2 billion	€ 6.2–6.4 billion	€ 6.2–6.4 billion	€ 6.2–6.4 billion	€ 6.8–7.4 billion
<b>Adjusted EBITDA Total*</b>	<b>€2,254.4 million</b>	<b>€ 2.75–2.85 billion</b>	<b>€ 2.75–2.85 billion</b>	<b>€ 2.75–2.85 billion</b>	<b>€ 2.8–2.9 billion</b>
<b>Group FFO**</b>	<b>€ 1,694.4 million</b>	<b>€ 2.0–2.1 billion</b>	<b>€ 2.0–2.1 billion</b>	<b>€ 2.0–2.1 billion</b>	<b>slightly below previous year</b>
Group FFO per share**	€ 2.18	suspended	suspended	suspended	suspended
<b>EPRA NTA per share***</b>	<b>€ 62.63</b>	<b>suspended</b>	<b>suspended</b>	<b>suspended</b>	<b>suspended</b>
<b>Sustainability Performance Index (SPI)****</b>	<b>109%</b>	<b>-100%</b>	<b>-100%</b>	<b>&gt;100%</b>	<b>-100%</b>
Rental income Rental segment/ Deutsche Wohnen	€ 2,568,7 million	€ 3.1–3.2 billion	€ 3.1–3.2 billion	€ 3.1–3.2 billion	€ 3.15–3.25 billion
Organic rent growth (eop)	3.8%	Increase of -3.3%	Increase of at least 3.3%	3.4%	above previous year
Modernization/portfolio investments*****	€ 758.6 million	€ 1.1–1.3 billion	€ 1.0–1.1 billion	€ 0.8–0.9 billion	-€ 0.5 billion
New construction/space creation*****	€ 639.7 million	€ 1.0–1.2 billion	€ 0.3–0.4 billion	-€ 0.5 billion	-€ 0.35 billion
Number of units sold Recurring Sales/Deutsche Wohnen core	2,748	-3,000	-3,300	-3,000	3,000–3,500
Fair value step-up Recurring Sales/Deutsche Wohnen core	38.8%	-30%	-30%	>35%	-25%

\* Figures 2021 adjusted to new adjusted EBITDA definition (excluding results from at-equity investments).

\*\* Based on the new 2022 definition without eliminating IFRS 16 effects, Group FFO per share based on the shares carrying dividend rights on the reporting date.

\*\*\* Based on the new 2022 definition, therefore excluding real estate transfer tax, EPRA NTA per share based on the shares carrying dividend rights on the reporting date. 2021 adjusted after closing of Deutsche Wohnen PPA.

\*\*\*\* Excl. Deutsche Wohnen.

\*\*\*\*\* Previously shown as modernization and new construction.

Bochum, November 1, 2022

The Management Board