VONOVIA SE
HALF-YEAR REPORT 2021

January – June

Interim Financial Report for 2021 H1

VONOVIA

Key Figures

Financial Key Figures in € million	H1 2020	H1 2021	Change in %	12M 2020
Total Segment Revenue	2,101.9	2,312.3	10.0	4,370.0
Adjusted EBITDA Total	942.2	1,021.8	8.4	1,909.8
Adjusted EBITDA Rental	781.4	823.8	5.4	1,554.2
Adjusted EBITDA Value-add	67.6	79.2	17.2	152.3
Adjusted EBITDA Recurring Sales	48.1	83.5	73.6	92.4
Adjusted EBITDA Development	45.1	35.3	-21.7	110.9
EBITDA IFRS	877.4	893.6	1.8	1,822.4
Group FFO	676.3	764.7	13.1	1,348.2
thereof attributable to Vonovia shareholders	648.2	734.2	13.3	1,292.0
thereof attributable to Vonovia hybrid capital investors	20.0	20.0	0.0	40.0
thereof attributable to non-controlling interests	8.1	10.5	29.6	16.2
Group FFO per share in €	1.25	1.33	6.6	2.38
Income from fair value adjustments of investment properties	1,812.3	3,698.6	>100	3,719.8
EBT	2,442.0	4,091.3	67.5	5,014.4
Profit for the period	1,618.1	2,680.1	65.6	3,340.0
Cash flow from operating activities	613.9	692.6	12.8	1,430.5
Cash flow from investing activities	-799.9	-3,737.6	>100	-1,729.9
Cash flow from financing activities	634.5	4,685.9	>100	402.6
Total cost of maintenance, modernization and new construction	859.1	868.0	1.0	1,935.9
thereof for maintenance expenses and capitalized maintenance	247.9	291.0	17.4	592.0
thereof for modernization	437.1	349.8	-20.0	908.4
thereof for new construction	174.1	227.2	30.5	435.5

Key Balance Sheet Figures in € million	Dec. 31, 2020	June 30, 2021	Change in %
Fair value of the real estate portfolio	58,910.7	63,099.4	7.1
EPRA NTA	35,488.6	39,373.2	10.9
EPRA NTA per share in €*	62.71	68.44	9.1
LTV (%)	39.4	40.5	1.1 pp

Non-financial Key Figures	H1 2020	H1 2021	Change in %	12M 2020
Number of units managed	488,367	485,739	-0.5	489,709
thereof own apartments	414,879	414,068	-0.2	415,688
thereof apartments owned by others	73,488	71,671	-2.5	74,021
Number of units bought	–	166	–	1,711
Number of units sold	1,931	2,184	13.1	3,677
thereof Recurring Sales	1,327	1,865	40.5	2,442
thereof Non-core Disposals	604	319	-47.2	1,235
Number of new apartments completed	617	841	36.3	2,088
thereof own apartments	534	389	-27.2	1,442
thereof apartments for sale	83	452	>100	646
Vacancy rate (in %)	2.8	2.7	-0.1 pp	2.4
Monthly in-place rent in €/m²	7.03	7.29	3.7	7.16
Organic rent increase (in %)	3.9	3.4	-0.5 pp	3.1
Number of employees (as of June 30/Dec. 31)	10,440	10,793	3.4	10,622

* Based on the shares carrying dividend rights on the reporting date June 30, 2020: 542,273,611, June 30, 2021: 575,257,327 and Dec. 31, 2020: 565,887,299.

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Overview

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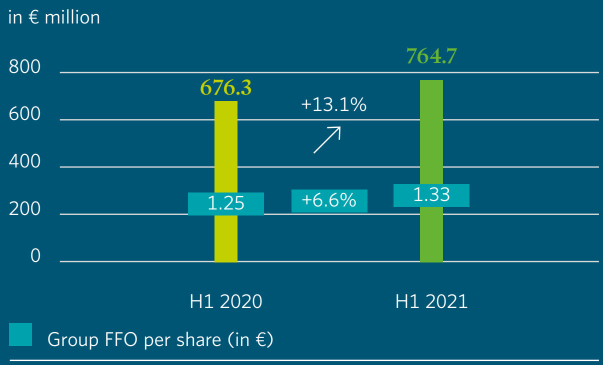
> Vonovia's debt financing instruments attract considerable interest.
> Coronavirus pandemic has no significant impact on financial or operating performance.

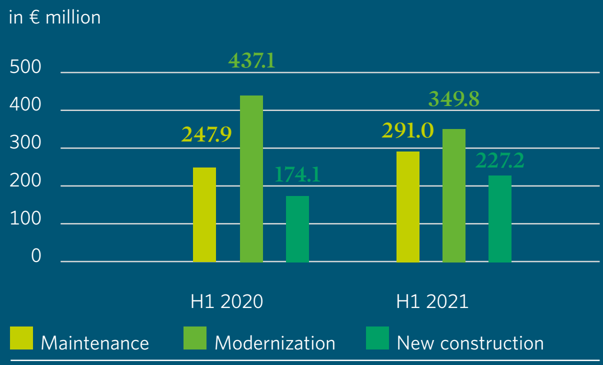
Sustained Earnings

Group FFO



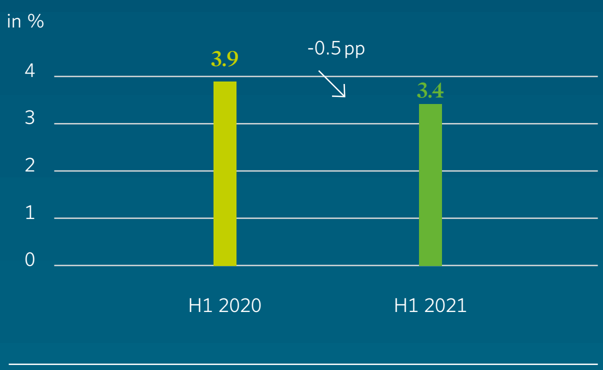
Maintenance, Modernization and New Construction

Investments



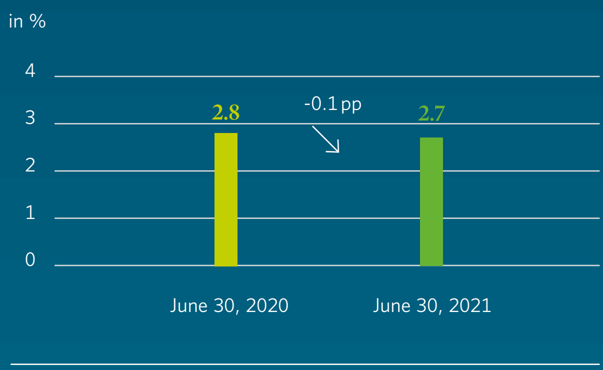
Organic Rent Growth

Organic Rent Growth



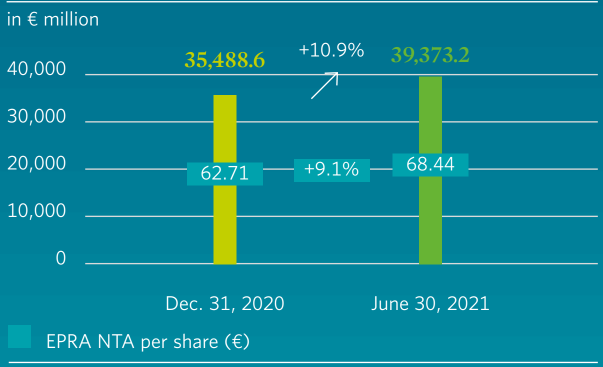
Vacancy

Vacancy Rate



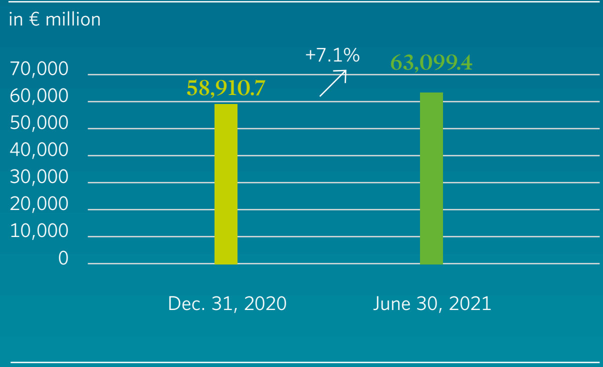
Net Assets

EPRA NTA



Fair Value of the Real Estate Portfolio

Fair Value of the Real Estate Portfolio



Vonovia SE on the Capital Market

Shares in Vonovia

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

The German leading index DAX 30 and the EURO STOXX 50, for example, climbed by 13.2% and 13.8% respectively in the first half of the year, whereas both Vonovia's shares and the listed residential real estate sector as a whole have shown weaker development to date after significant outperformance in 2020.

We attribute the negative share price performance first and foremost to the following market-related factors: Risk appetite on the capital market has increased considerably in a year-on-year comparison, with investors currently focusing more on cyclical stocks and equities whose performance in 2020 was less positive. Increased interest rate risk and expectations of rising inflation make the situation for residential real estate stocks even more challenging. Finally, the possibility that rent legislation will change after the German Bundestag elections is a source of additional uncertainty.

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

Vonovia's market capitalization amounted to around € 31.4 billion as of June 30, 2021.

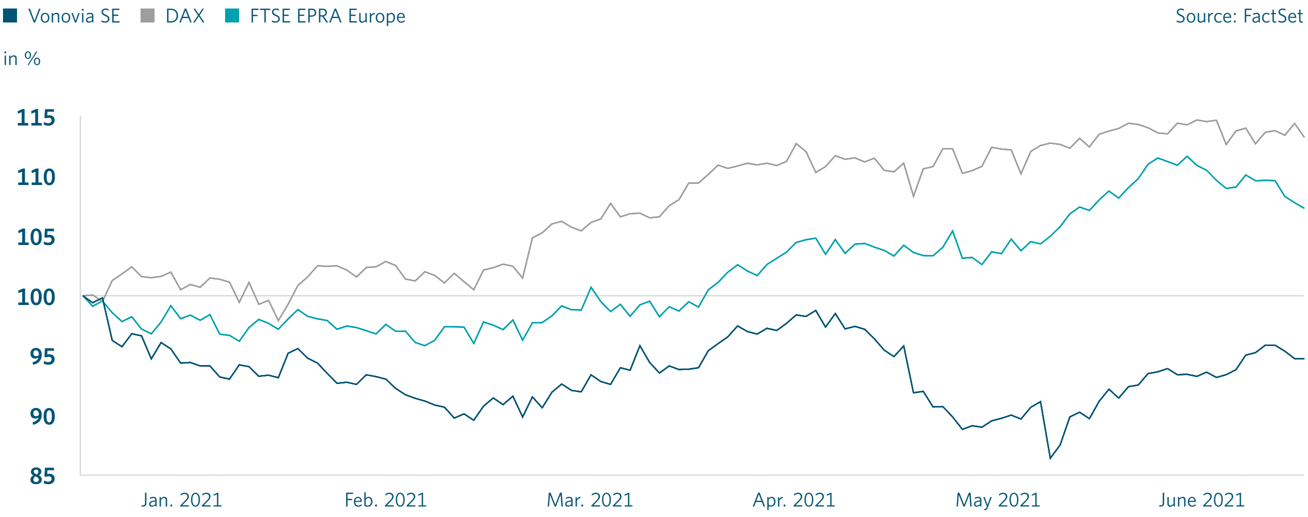
Shareholder Structure

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

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

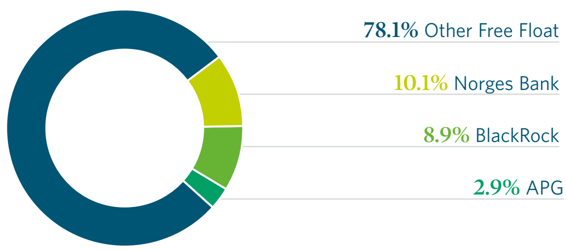
https://investoren.vonovia.de/en/news-and-publications/disclosure-of-voting-rights/

Share Price Development



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

Major Shareholders (as of June 30, 2021)



Investor Relations Activities

Vonovia SE is committed to transparent, ongoing dialogue with its shareholders and potential investors. We are continuing with our roadshows and meetings during the coronavirus pandemic, albeit on a virtual basis. In the first six months of 2021, Vonovia participated in a total of 19 investors' conference days and organized nine 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 topic dominating discussions in the second quarter of 2021 was the announcement of the merger between Vonovia and Deutsche Wohnen.

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

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

Annual General Meeting

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 had also been 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 of € 1.69 per share proposed to the company's shareholders for the 2020 fiscal year also found broad support among Vonovia's shareholders. This corresponds to a dividend yield of 2.8% based on the cut-off date of December 31, 2020, and an increase of 8% compared to the previous year. 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.

Analyst Assessments

As a rule, 26 international analysts publish studies on Vonovia on a regular basis, whereby four analysts suspended their rating temporarily due to their involvement in current transactions (as of June 30, 2021). The average target share price was € 63.97 as of June 30, 2021. Of these analysts, 77% issued a "buy" recommendation, with 14% issuing a "hold" recommendation and 9% recommending that investors sell the company's shares.

Share Information (as of June 30, 2021)

First day of trading	July 11, 2013
Subscription price	€ 16.50
Total number of shares	575,257,327
Share capital	€ 575,257,327
ISIN	DE000A1ML7J1
WKN	A1ML7J
Ticker symbol	VNA
Common code	94567408
Share class	Registered shares with no par value
Stock exchange	Frankfurt Stock Exchange
Market segment	Regulated market
Indices	DAX, Euro Stoxx 50, DAX 50 ESG, Dow Jones Sustainability Index Europe, STOXX Global ESG Leaders, EURO STOXX ESG Leaders 50, STOXX Europe ESG Leaders 50, FTSE EPRA/NAREIT Developed Europe and GPR 250 World

Economic Development in the First Half of 2021

Key Events During the Reporting Period

The coronavirus pandemic has triggered severe disruptions in a large number of sectors and in all economies across the globe. Vonovia's business model has proven to be robust and resilient throughout the pandemic. As the pandemic is still not having any considerable impact on its net assets, financial position and results of operations, Vonovia can also report positive business development in the first half of 2021. As vaccination rates increase, we expect both business and social life to increasingly return to normal.

Vonovia was able to maintain its operational processes subject to virtually no restrictions during the pandemic, also by enabling employees to work from home. Customer satisfaction actually increased significantly during the pandemic, with the customer satisfaction index (CSI) rising by 4.2 percentage points in a year-on-year comparison.

On June 23, 2021, Vonovia made a public takeover offer to the shareholders of Deutsche Wohnen SE to purchase all shares in the company at a price of € 52.00 per share. The offer comes hand-in-hand with an agreement reached with the Berlin State Government, according to which corporations of the federal state of Berlin have the opportunity to acquire a total of around 20,000 residential units from the Deutsche Wohnen and Vonovia portfolios.

By the end of the acceptance deadline for the public takeover offer of Deutsche Wohnen shares on July 21, 2021, not enough Deutsche Wohnen shareholders (47.62%) had accepted the takeover offer, which means the transaction did not take place.

By June 30, 2021, Vonovia SE had separately acquired around 18.4% of Deutsche Wohnen shares, independently of the voluntary public takeover offer.

Vonovia had already issued two innovative debt instruments in the first quarter of 2021. On January 12, 2021, it issued a fully digital registered bond in the amount of € 20 million and with a maturity of three years for the very first time. On March 24, 2021, Vonovia issued its first green bond in the amount of € 600 million. This 10-year bond with an annual interest rate of 0.625% will allow the Group to continue with its own sustainability strategy and expand the range of conventional debt instruments used as part of its financing strategy to include a green bond.

Vonovia SE also placed a total of five fixed-rate unsecured bonds with a total volume of € 4 billion on June 16, 2021. The bonds have an average coupon of 0.6875% and maturities of between 3.25 and 20 years (9.5 years on average).

Moody's became the third major rating agency to publish a rating for Vonovia on May 31, 2021. Its initial rating is "A3" in the investment grade range, with a stable outlook.

The Annual General Meeting held on April 16, 2021, once again as a virtual event, resolved to pay a dividend for the 2020 fiscal year in the amount of € 1.69 per share. During the subscription period, shareholders holding a total of 49.18% of the shares carrying dividend rights opted for the scrip dividend that was on offer instead of the cash dividend. As a result, 9,370,028 new shares were issued at a subscription price of € 50.193 and in a total amount of € 470.3 million.

Environmental Development

Germany

Since the outbreak of the coronavirus pandemic, the economic cycle has been shaped to a considerable degree by the measures taken to protect against infection. Following a strong recovery from the first wave of the pandemic, the German economy experienced a temporary setback on the back of tighter restrictions to contain the coronavirus pandemic at the beginning of 2021, and gross domestic product (GDP) fell by 1.8% in the first quarter of 2021. The restrictions left a particular mark on private consumer spending, which was 5.4% lower in the first three months of 2021 than it had been in the fourth quarter of 2020 after adjustments to reflect price, seasonal and calendar effects. By contrast, public consumption expenditure increased slightly and was up by 0.2% on the level seen in the previous quarter. Positive impetus came primarily from construction investments, which rose by 1.1% compared to the previous quarter. The amount invested in equipment – especially machinery, devices and vehicles – was down slightly on the previous quarter (-0.2%) after seasonal adjustments. Foreign trade increased at the beginning of the year. Imports of goods and services rose by 3.8% (after adjustments to reflect price, seasonal and calendar effects) in the first three months of 2021, but at a much faster rate than exports, which increased by 1.8%.

In parallel with the rising vaccination rates, the easing of the coronavirus restrictions and brisk demand from abroad, the German economy is on a strong recovery path. The recovery process in the six months from the start of spring to the start of fall will be driven primarily by consumer-related sectors of the economy, such as retail and the contact-intensive service sector. Following a significant increase in private consumer demand in the second quarter of 2021, the pre-crisis level should already have been exceeded by the end of the year. In the second half of the year, the Kiel Institute for the World Economy (IfW) expects to see strong impetus from international business and domestic investment activity. Supply bottlenecks in a number of sectors brought about by the global recovery are, however, limiting the expansion process. This is reflected in what is currently a large discrepancy between the very positive order situation and production in the manufacturing sector. The bottlenecks affecting the procurement of semiconductors from East Asia are likely to reduce the momentum not only in exports, but also in investments. As these frictions ease, exports are likely to start accelerating at a faster pace again, particularly as the rise in global investment activity should provide stimulus. The construction industry, which reported a strong increase in the six months from the start of the fall until the start of the spring, is currently also struggling with supply bottlenecks for raw materials such as construction timber. The positive trend in the ifo business climate index and incoming orders, which remain stable at a high level, nevertheless create a positive outlook for the industry in the coming months despite an unexpected slump in orders in May, which leading economists attribute to the supply bottlenecks and extreme price increases. As far as this year is concerned, the German Institute for Economic Research (DIW Berlin) expects to see year-on-year growth of 3.2% and anticipates a strong continuation of the recovery with growth of 4.3% in 2022. The IfW goes further, predicting growth of 3.9% for 2021 and 4.8% for 2022.

Despite the marked escalation in the pandemic in the winter months and the associated containment measures, the labor market proved to be extraordinarily stable. Adjustments to reflect reduced economic output were made in particular in the form of short-time work. Now that the economy is increasingly starting to open up again, a slight uptick in employment is evident. According to the Federal Statistical Office, the number of people employed (according to the domestic concept) increased by 15,000 month-on-month in seasonally adjusted terms in May 2021, and the unemployment rate fell from 6.3% at the beginning of the year to 5.7% in June. The Leibniz Institute for Economic Research (RWI) expects to see an average unemployment rate of 5.8% for the year, with a further drop to 5.2% predicted in 2022.

The inflation rate has accelerated significantly since January 2021, reaching 2.5% in May, the highest level seen since 2008. This was largely due, on the one hand, to the move to increase VAT again and, on the other, to the marked rise in energy prices compared to the previous year, mainly as a result of the dramatic increase in global market prices for crude oil and the introduction of a carbon emissions levy. According to estimates by the ifo institute, consumer prices are predicted to rise by an average of 2.6% for this year as a whole. Consumer prices should return to a more moderate trend in 2022 and increase by an average of 1.9%. No sustained increase in inflation would appear to be on the cards from today's perspective.

The IfW does not expect the European Central Bank (ECB) to make any changes to its monetary policy instruments. As a result, no key interest rate hike (the main refinancing rate is currently 0.0%) is expected between now and the end of the forecast period.

The forecasts depend to a considerable degree on how the pandemic continues to unfold and on the progress made in the vaccination drive, but also on the solvency of many companies. Downside risks include the possibility that the production and distribution of COVID-19 vaccines will not be quick enough, or that vaccination uptake is too low, which could lead to new, and even more infectious, variants of the virus. This could, in turn, lead to renewed infection control measures which would put a damper on consumption and investment spending. The forecasts are also based on the assumption that the freight and commodities bottlenecks will be resolved in the course of the summer. If these bottlenecks prove to be more prolonged, this will not only have an impact on the recovery in a large number of economies, but could also lead to persistently higher input costs, which would then filter through to consumer prices and increase inflation rates in the long run, especially since private households have accumulated substantial pent-up purchasing power as a result of the pandemic. This would, in turn, result in mounting pressure on central banks to adopt a more restrictive approach earlier than previously announced. Finally, there is also uncertainty as to the direction that fiscal policy will take in the coming year after the German Bundestag elections. The parties are discussing various reforms of the tax and social security system, as well as climate policy measures that could result in both additional burdens and relief for private households and the corporate sector alike compared with the status quo on which the forecasts are based. Other risks, and in particular foreign trade risks, are starting to wane: Brexit is complete and trade relations between the UK and the EU are already stabilizing. The United States and China have launched new trade talks following the change in the US presidency, and some punitive tariffs have already been suspended.

According to GdW, the situation on Germany's housing markets in attractive conurbations and fast growing regions has changed rapidly in recent years from a largely balanced to a tense market situation. Driven by immigration, the past few years have brought steady population growth. In 2020, however, the growth process was stopped in its tracks for the time being in the wake of the coronavirus pandemic, marking the first time Germany's population has not grown since 2011. Destatis reports that net migration has fallen sharply and the surplus of deaths over births has increased. 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 in the short term, not reaching its peak until 2024. It remains to be seen to what extent potential immigration from countries on Europe's periphery that have been hit by economic difficulties will provide a further boost to long-term demand for housing in Germany's major cities. According to Helaba, the increase in working from home could boost demand for housing in the future and shift demand more from central inner-city locations to the outskirts of conurbations. In any case, when it comes to the internal migration links between Germany's major cities, one trend is starting to reverse. Capacity in metropolitan areas to accommodate more people moving into the area is becoming increasingly scarce. People looking for housing are being pushed out into areas surrounding the major cities, or are once again focusing more on the dream of owning a house with a garden on the outskirts of the city or in neighboring areas. The rental housing market has long been characterized by very low vacancy rates. Not all regions, however, are benefiting from population growth. GdW reports that sparsely populated administrative districts located far from the country's metropolitan centers, in particular, are faced with shrinking populations. The shortage of housing is particularly pronounced in major cities, metropolitan areas and university cities.

Despite increasing construction activity, the number of homes being built remains too low. A very respectable 306,000 of the 320,000 homes per year that the country needs, according to GdW, were actually built in 2020, although the number of affordable homes and social housing created remains too low. In 2020, only 85,000 or so out of the 140,000 affordable homes required were actually built. This is despite the fact that residential construction was barely affected by the measures taken to contain the pandemic, according to Helaba, meaning that most construction activity continued. According to GdW, construction is being hindered not only by sustained capacity bottlenecks in the construction industry but also, among other factors, by rising construction costs and the fact that building materials are becoming scarcer and more expensive due to demand from abroad.

Despite the coronavirus pandemic, the upward trend in German residential real estate prices continued until only recently according to reports by the experts at the National Association of German Cooperative Banks (BVR). They confirm the figures released by the analyst empirica based on the empirica price database (basis: VALUE market data). Accordingly, the empirica price index for condominiums (all years of construction) increased by 14.1% in the second quarter of 2021 compared to the same period of the previous year (new construction 11.7%). Apartment rents again showed much less dynamic development than purchase prices. empirica reports that, across the country, quoted rents continued to increase on average over all years of construction in the first and second quarters of 2021, and were an average of 3.9% higher in the second quarter of 2021 (new construction 4.3%) than in the same quarter of 2020. Unlike their counterparts at empirica, the experts at F+B identified an ongoing stagnation phase for new contract rents at the beginning of the year (data for the first quarter). Meanwhile, F+B reported another increase, namely by 1.2%, in rents under existing rental contracts in the first three months of 2021. All in all, the trends are varied. The real estate portal Immowelt, for example, reports that quoted rents for existing apartments in the second quarter of 2021 in a quarter-on-quarter comparison only rose in six out of the 14 major German cities with populations of more than 500,000. The remaining eight cities show stagnating or slightly declining quoted rents over the same period. The experts at Immowelt still expect rents to increase slightly throughout Germany, particularly in those major cities where prices are low to medium. According to an analysis by the real estate portal ImmoScout24, the ruling on the Berlin rent freeze is causing supply and rents in Berlin to rise again. DB Research (in its forecast published in December 2020) expects rent growth in 2021 to roughly reflect inflation, while nationwide house and apartment prices are expected to rise considerably by more than 6% year-on-year. The empirica bubble index for Germany showed a moderate to high risk of a bubble for 324 out of 401 administrative districts and self-governing cities in the first quarter of 2021.

According to CBRE, the pandemic has served to boost the residential investment market as opposed to slowing it down. Demand clearly outstrips the available supply. The transaction volume (based on transactions involving 50 residential units or more) came to around € 9.7 billion in the first half of 2021, 14% higher than the average for the last five first half-years. At € 2.8 billion, the proportion of forward deals was particularly high in the first half of 2021. The outskirts of metropolitan areas and other regions are starting to play more of a role.

The debate on housing policy measures and more stringent regulation is likely to make the headlines in 2021, also because of the German Bundestag elections. Political measures and decisions with an impact on the housing industry in the first half of 2021 include, by way of example, the CO_2 pricing system that has been in force since January 1, 2021, and has an impact on housing costs, for example, on heating costs. On June 23, 2021, the Building Land Mobilization Act (Baulandmobilisierungsgesetz) came into force and features provisions designed to facilitate housing construction, but also an approval requirement for the conversion of rental apartments into condominiums in tense housing markets. In May, the German upper house (Bundesrat) approved legislation that should make share deals less attractive. It came into force on July 1, 2021. A reform of the rent indices legislation was also passed by the German lower house (Bundestag) and approved by the Bundesrat in the second half of June in a quest, among other things, to ensure that rent indices provide more valid information. Rent indices have become compulsory for cities with more than 50,000 inhabitants. In its decision of March 25, 2021, the German Federal Constitutional Court declared the Act on Rent Controls in the Housing Sector in Berlin (Berlin rent freeze) to be unconstitutional and, as a result, null and void.

Sweden

The Swedish economy fared well in the face of a winter that proved difficult due to the pandemic. After the coronavirus spread rapidly in the first quarter of 2021, putting significant pressure on the healthcare system and resulting in the imposition of more stringent measures affecting public life and the economy alike, the third wave peaked in April, with infection rates only starting to decline rapidly in June. Nevertheless, a slight quarter-on-quarter increase in seasonally adjusted GDP of 0.8% was achieved in first quarter of 2021. The lion's share of the GDP growth came from higher inventory investment, although exports also picked up fairly swiftly, rising by 1.3%. As imports increased by 1.4%, the impact of net exports on GDP growth as a whole was limited. According to Statistics Sweden (SCB), private household consumption increased at a relatively normal rate of 0.5%, while government consumption picked up 0.4%.

The SCB reported that the unemployment rate in May stood at 9.1%, as against 9.3% at the beginning of the year. Because the change in the methodology used in the Swedish labor force survey effective from January 1, 2021, due to the new Integrated European Social Statistics Framework Regulation, has led to breaks in the time series, it does not make sense to draw comparisons with the previous year. Inflation, as measured by the increase in the consumer price index with a fixed interest rate (CPIF), exceeded the 2% mark in both April and May of this year, primarily due to higher raw material and energy prices, which were also fueled by supply shortages.

After getting off to a slow start, the vaccination program is now well under way. Restrictions and recommendations are expected to be gradually eased starting in the summer – provided that the spread of infection remains on a downward trajectory. Swedish society is on the cusp of a marked recovery, with household and public sector consumption expenditure set to show a particular increase this year. Households are benefiting from tax relief but also have the potential to spend their increased savings. The outlook concerning the coronavirus pandemic is also improving among Sweden's main trading partners, helping to fuel a rapid increase in the demand for Swedish goods since the second quarter of the year. Investment is also increasing, not least in the industry, while public-sector investment is also improving at a good pace. Although there will be something of a damper on the industrial sector in the foreseeable future due to a shortage of components (e. g., semiconductors) and delayed container shipments, particularly from Asia, the sector should see things pick up again later on in the year. Residential construction is expected to remain at an all-time high. All in all, the foundation is in place to allow the Swedish economy to continue with its rapid recovery this year. The rosier outlook is also reflected in the economic indicator, which has risen to the highest level seen since measurements began back in 1996. Overall, the National Institute of Economic Research (NIER) expects GDP to increase by 4.4% in 2021 and by 3.5% in 2022.

Unemployment is likely to drop gradually as economic activity bounces back and labor market and training measures make it easier to match people with jobs. It is not likely to return to pre-pandemic levels until late 2022, mainly because the pandemic has led to higher long-term unemployment, which makes job placement more difficult. The NIER expects to see an unemployment rate of 8.7% for 2021 and 7.6% for 2022. The government has announced that some of its assistance measures, such as short-time working and reorientation support, will be extended until the summer to counteract the economic impact of the protracted pandemic. The government has announced further measures since it released its draft budget for 2021, most of which relate to support for businesses. The Swedish minority government is currently on shaky ground: After resigning following a lost vote of no confidence, Swedish Prime Minister Löfven was re-elected by the very narrowest of margins at the beginning of July after withdrawing his plan to approve controlled rents for new buildings. The effects on the country's budget discussions remain to be seen.

Inflation is likely to remain below the 2% target thanks to moderate wage agreements and the ongoing slack in certain parts of the economy. The appreciation of the Swedish krona would drag inflation down further. Monetary policy remains very expansionary with interest rates sitting at zero, while the Riksbank will be continuing with its asset purchases this year. The repo rate is expected to remain at 0.0% throughout the forecast horizon. The same forecast risks that apply to Germany, relating to the course of the pandemic and supply bottlenecks, also apply to Sweden.

In an environment characterized by the coronavirus pandemic, residential real estate, along with community service properties, are still seen as the real estate market winners and a safe haven for capital, according to experts at the real estate consultancy firm Svefa. Residential real estate has been a very attractive investment segment in recent years, with lower return requirements and rising prices throughout Sweden. Positive value development has been seen in the country's large cities in particular, as well as in university and college towns. Overall, market conditions for the rental housing segment in Sweden's growth markets remain positive.

The country has witnessed marked 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. In 2020, however, Sweden reported the lowest level of population growth in 15 years as a result 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, primarily in its urban areas. Even though the number of municipalities with a balanced housing market is increasing, 207 out of 290 municipalities reported a shortage of homes in the residential property market survey for 2021 conducted by Boverket, the Swedish National Board of Housing, Building and Planning. The greater Stockholm, Gothenburg and Malmö regions accounted for around 76% of the total deficit in 2020. In particular, sections of the population that are new to the housing market, such as young people, students and new arrivals in Sweden (nyanlända), 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. Meanwhile, in many municipalities, residential construction activity is hampered by high construction costs. Furthermore, strict lending requirements or difficulties faced by private individuals in being granted loans, for example, limit new construction.

According to data supplied by SCB, rents rose by an average of 1.9% in 2020, as in the previous year. Rents will continue to increase in 2021 based on the results of the rent negotiations for 2021 published by "Hem & Hyra," the member magazine published by the Swedish tenants' association ("Hyresgästföreningen"). According to calculations from April 2021, this year's rent increase will average 1.23%, according to Hem & Hyra. According to Savills, major trends such as ongoing urbanization, smaller household sizes and a strong rise in prices for condominiums and houses have been driving the demand for rental apartments. This trend may intensify further in times of uncertainty. Prices for residential property ownership increased significantly during the pandemic. According to Swedbank, this is also because households are reassessing their housing needs, meaning that the demand for single-family houses and larger apartments outstrips the supply. The Valueguard HOX price index, which reflects the price development of typical condominiums and single-family homes, was up by 17.9% year-on-year in May 2021. The increase is being driven in particular by the development of prices for single-family homes. As the COVID-19 situation stabilizes and household consumption patterns return to normal, experts at Swedbank estimate that residential property prices will rise by around 5% a year in 2021 and 2022. Catella reports that yield compression on residential rental properties has been powerful since the spring of 2020.

According to Boverket, the strong demand for housing is laying the foundation for a significant increase in residential construction activity. Boverket estimates that residential construction activity will grow by 8% in 2021, with work starting on the construction of 61,700 apartments (2020: 57,000, including increases from refurbishment measures). A further 4% increase is expected for 2022. The number of completed apartments declined in 2020 (54,100, including increases from refurbishment measures) and is expected to remain on par with this level in 2021, according to Boverket, before increasing again in 2022 (57,500). Increased material prices could slow down those developments. As housing construction has gradually increased and population growth has slowed, the housing deficit recently narrowed somewhat. The deficit had been growing steadily over a prolonged period starting in 2006, when the population started to grow at a faster rate than housing. According to Boverket's estimate for this year, around 59,000 new apartments will need to be built every year between now and 2029 to do justice to the expected population growth and reduce the pent-up housing deficit. However, according to Svefa the rapid new construction rate for rental apartments could translate into lower demand in the long term, especially in less attractive markets.

According to the independent consultancy company Pangea Property Partners, properties worth € 14.3 billion were traded on the Swedish transaction market in the first half of 2021, twice as much as in the same period of the previous year. In terms of transaction volume, residential properties were the second-largest asset class after office properties with a share of 22%. Residential real estate ranks among the most popular low-risk segments in the current market environment, both in the Nordic region and the rest of Europe.

Austria

After successful efforts to combat the coronavirus pandemic, the Austrian economy gained significant momentum in the spring. In the first quarter of 2021, the recovery process was still hindered by the stringent containment measures imposed, which put pressure on private consumption and, in particular, on tourism. According to initial calculations by the Austrian statistical office, Statistik Austria, GDP still contracted by 1.1% in a quarter-on-quarter comparison in the first three months of 2021. The retail, transport, food and beverage, and accommodation sectors were once again dealt a hefty blow as a result of the third lockdown, while positive impetus came from industry and construction. Investment and public consumer demand also increased. While exports declined overall, the subcomponents moved in opposite directions, with goods exports increasing and exports of services declining significantly. A similar picture emerges for imports, again reflecting weak domestic demand in the first three months of 2021. All in all, economic output stood at 91.5% of the pre-crisis level compared to the first quarter of 2019.

The Austrian economy would now appear to be overcoming the coronavirus crisis much faster than previously expected and is embarking on an upswing. The rapid progress made in the vaccination campaign, in particular, is shaping the economic outlook, as the associated lifting of official restrictions allows economic activity to resume. In addition to stronger private consumption, the economic recovery is also being driven by high investment momentum thanks to state investment incentives and increasing capacity bottlenecks, as well as by strong export growth. Exports are reaping the benefits of the global economic recovery. Sentiment among Austrian companies continued to improve in June. The Business Climate Index published by the Austrian Institute of Economic Research (WIFO) stood at 22.6 points (in seasonally adjusted terms), the highest value seen since March 2018. Despite supply bottlenecks, the economic upswing is becoming broader-based. This prompted the Institute for Advanced Studies (IHS) to lift its forecast for economic growth in the current year to 3.4%. Growth of 4.5% is expected for 2022. The Austrian Institute of Economic Research (WIFO) goes even further, predicting that GDP will increase by 4.0% in 2021 (2022: 5.0%). The country's predicted economic growth for 2021 is, however, lower than the forecast for the euro area as a whole (4.6%), with the Austrian central bank (OeNB) attributing this trend largely to the loss of winter tourism.

The opening of a large number of service sectors from mid-May onwards triggered a marked improvement in the situation on the Austrian labor market. The further easing of the situation will, however, remain a gradual process in light of existing structural challenges, such as high levels of long-term unemployment. According to calculations by the Austrian Public Employment Service (AMS), the number of non-self-employed people was once again slightly higher in a month-on-month comparison in June at 3.86 million, while the unemployment rate (national definition) of 7.0% was down again compared to the previous month, equating to a total drop of 4.4 percentage points since the beginning of the year. The IHS predicts an average unemployment rate of 8.4% in 2021, which should fall to 7.9% in 2022. Despite the improved outlook, however, unemployment will remain above the pre-crisis level even at the end of the forecast period.

After making a moderate start to the year, inflation in Austria has since increased considerably, as was to be expected. The decisive factor was the rise in commodity prices, especially in the price of oil, as a result of the incipient global recovery. There has recently also been a shortage of various input materials due to supply bottlenecks and production capacities that are only gradually being ramped up. Finally, with the economy being opened back up and the corresponding demand for various services, marked price increases have also emerged in this area. According to estimates by Statistik Austria, these have already had an impact in the form of increasing the inflation rate according to the Harmonized Index of Consumer Prices (HICP) to 3.0% and 2.8% in May and June, respectively. This means that inflation is currently at a level last seen at the end of 2012. According to the WIFO, the inflation rate (HICP) will increase to an average of 2.3% in 2021 (2020: 1.4%). In addition to strong consumer demand, the key factor in this trend will remain the need to pass on the high prices for raw materials and intermediate goods. Inflation is also expected to remain high at 2.1% in 2022, not least due to above-average capacity utilization in the economy as a whole, which is primarily driving domestic price momentum.

In terms of international risks, both low vaccination take-up among the population and the spread of virus mutations would delay the economic recovery process. Furthermore, a scenario in which support measures are withdrawn too soon could also weigh on economic development. Other risk factors include the sharp rise in commodity prices, delivery delays in the electronics sector, for example, and difficulties affecting international transport. A renewed flare-up of the pandemic poses the greatest downside risk to the Austrian economy, as new containment measures would put considerable pressure on private consumption and tourism.

Negative effects associated with the coronavirus crisis were only felt to a limited extent in the residential sector. According to the OeNB, the trend toward a more pronounced increase in real estate prices that had already emerged in the course of 2020 continued in the first quarter of 2021. 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 first quarter of 2021 of 12.3% compared to the previous year. In Vienna, prices increased compared to the previous year by 10.9%. In the rest of Austria (excluding Vienna), price developments came to 14.0% during the same period. In addition to single-family houses, prices were also being driven up by new condominiums. According to the OeNB, the assumption that the more pronounced price increases since the outbreak of the pandemic are related to the lockdown measures and the increased use of working from home seems to have been confirmed. 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 in recent quarters, suggesting that the residential real estate market is increasingly overheating. According to the consumer price index published by Statistik Austria, apartment rents in Austria rose by 3.9% year-on-year in May 2021, with a slight dip compared to the previous month of April.

Experts from the real estate service provider RE/MAX expect a fundamentally positive real estate year in 2021, with real estate supply and demand continuing to increase. As a result, purchase prices for residential real estate are likely to increase overall, albeit at a slower rate than before. Demand for rental apartments is expected to grow at a slower rate than supply in 2021. This means that the new rents agreed for apartments that are not subject to rent restrictions could be somewhat lower than those agreed in previous years. With rising demand and dwindling supply, prices for townhouses and apartment complexes in Austria are likely to rise further in 2021, according to RE/MAX. As far as Vienna is concerned, the real estate service provider EHL expects rent increases in 2021 to be in line with the inflation rate at most, and predicts that apartment purchase prices will increase by between 4% and 5%.

The positive development of Austria's population looks set to continue. The latest population forecast produced by the Austrian statistical office, Statistik Austria, suggests that by 2040, the Austrian population will have risen by an estimated 6%, from 8.88 million (2019) to 9.45 million. Bank Austria reports that residential construction activity in Austria has been geared toward addressing the marked increase in the demand for homes for some years now. According to the OeNB, however, residential construction activity declined in 2020. The construction industry is also currently facing supply bottlenecks and sharp increases in prices of building materials. According to Bank Austria, an average of 61,000 new homes were built every year in the period from 2013 to 2019 alone, which should have met the ongoing demand for new construction. Nevertheless, the excess demand in some market segments, especially for affordable rental apartments, is likely to have only been partially reduced. The 2020 economic crisis is expected to boost demand in this segment.

According to EHL, the Austrian real estate investment market showed brisk transaction activity in the first and second quarters of 2021, underlining its resilience in the face of the crisis. After already making a good start with a transaction volume of approx. € 680 million in the first three months of the year, a transaction volume of approx. € 1 billion was achieved in the second quarter. Institutional residential projects remain highly sought-after among investors. In terms of the transaction volume, residential properties were the preferred asset class with a share of 37% in the first half of 2021. EHL expects to see an investment volume of around € 4.0 billion on the Austrian real estate investment market in 2021, marking a noticeable increase compared with 2020.

Results of Operations

Vonovia recorded stable business development overall in the first half of 2021. The ongoing coronavirus pandemic still did not have any significant impact on the company's operational and financial performance.

In many areas, our business processes again continued virtually unhindered thanks to employees working from home. The employees of the craftmen's organization were active on site almost without restriction.

In the first half of 2021, we observed stable demand for rental apartments and no negative impact on market values as a result of the coronavirus pandemic. Vonovia experienced only a very low level of rent losses in the first six months of 2021, and expects defaults to remain low in the future, too. The coronavirus pandemic had only a minor impact on modernization and/or new construction measures in the first half of 2021.

As of June 30, 2021, Vonovia managed a portfolio comprising 414,068 of its own residential units (June 30, 2020: 414,879), 138,650 garages and parking spaces (June 30, 2020: 138,626) and 6,515 commercial units (June 30, 2020: 6,642). The locations span 625 cities, towns and municipalities (June 30, 2020: 639) in Germany, Sweden and Austria. 71,671 residential units (June 30, 2020: 73,488) are also managed for other owners.

At the end of the first half of 2021, Vonovia employed 10,793 people (June 30, 2020: 10,440).

The following key figures provide an overview of Vonovia's results of operations and the relevant drivers in the first half of 2021.

in € million	H1 2020	H1 2021	Change in %	12M 2020
Total Segment Revenue	2,101.9	2,312.3	10.0	4,370.0
Revenue in the Rental segment	1,132.9	1,170.5	3.3	2,285.9
Revenue in the Value-add segment	521.2	557.4	6.9	1,104.6
Revenue in the Recurring Sales segment	195.0	327.8	68.1	382.4
Revenue in the Development segment	252.8	256.6	1.5	597.1
Adjusted EBITDA Total	942.2	1,021.8	8.4	1,909.8
Adjusted EBITDA Rental	781.4	823.8	5.4	1,554.2
Adjusted EBITDA Value-add	67.6	79.2	17.2	152.3
Adjusted EBITDA Recurring Sales	48.1	83.5	73.6	92.4
Adjusted EBITDA Development	45.1	35.3	-21.7	110.9
Group FFO	676.3	764.7	13.1	1,348.2
EBITDA IFRS	877.4	893.6	1.8	1,822.4
Monthly in-place rent (€/m²)	7.03	7.29	3.7	7.16
Average area of own apartments in the reporting period (in thou. m²)	26,561	26,500	-0.2	26,532
Average number of own units (number of units)	415,348	414,798	-0.1	414,931
Vacancy rate (in %)	2.8	2.7	-0.1 pp	2.4
Maintenance expenses and capitalized maintenance (€/m²)	9.33	10.99	17.8	22.31
thereof expenses for maintenance (€/m²)	5.82	6.17	6.0	12.10
thereof capitalized maintenance (€/m²)	3.51	4.82	37.3	10.21
Number of units bought	–	166	–	1,711
Number of units sold	1,931	2,184	13.1	3,677
thereof Recurring Sales	1,327	1,865	40.5	2,442
thereof Non-core Disposals	604	319	-47.2	1,235
Number of new apartments completed	617	841	36.3	2,088
thereof own apartments	534	389	-27.2	1,442
thereof apartments for sale	83	452	>100	646
Number of employees (as at June 30/December 31)	10,440	10,793	3.4	10,622

Total Segment Revenue

in € million	H1 2020	H1 2021	Change in %	12M 2020
Rental income	1,134.2	1,171.7	3.3	2,288.5
Other income from property management unless included in the operating expenses in the Rental segment	24.4	27.2	11.5	50.2
Income from disposals Recurring Sales	195.0	327.8	68.1	382.4
Internal revenue Value-add	496.1	529.5	6.7	1,053.0
Income from disposal of properties (Development)	107.5	191.7	78.3	297.7
Fair value Development to hold	144.7	64.4	-55.5	298.2
Total Segment Revenue	**2,101.9**	**2,312.3**	**10.0**	**4,370.0**

Total segment revenue increased by 10.0% from € 2,101.9 million in the first half of 2020 to € 2,312.3 million in the first half of 2021. The main drivers behind the development in total segment revenue in the first half of 2021 were income from disposal of properties in the Recurring Sales segment, income from disposals in the Development segment and the increase in rental income due to organic growth.

Group FFO

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

Group FFO

in € million	H1 2020	H1 2021	Change in %	12M 2020
Revenue in the Rental segment	1,132.9	1,170.5	3.3	2,285.9
Expenses for maintenance	-154.7	-163.4	5.6	-321.1
Operating expenses in the Rental segment	-196.8	-183.3	-6.9	-410.6
Adjusted EBITDA Rental	**781.4**	**823.8**	**5.4**	**1,554.2**
Revenue in the Value-add segment	521.2	557.4	6.9	1,104.6
thereof external revenue	25.1	27.9	11.2	51.6
thereof internal revenue	496.1	529.5	6.7	1,053.0
Operating expenses in the Value-add segment	-453.6	-478.2	5.4	-952.3
Adjusted EBITDA Value-add	**67.6**	**79.2**	**17.2**	**152.3**
Revenue in the Recurring Sales segment	195.0	327.8	68.1	382.4
Fair value of properties sold adjusted to reflect effects not relating to the period from assets held for sale in the Recurring Sales segment	-140.5	-236.4	68.3	-274.0
Adjusted result Recurring Sales	**54.5**	**91.4**	**67.7**	**108.4**
Selling costs in the Recurring Sales segment	-6.4	-7.9	23.4	-16.0
Adjusted EBITDA Recurring Sales	**48.1**	**83.5**	**73.6**	**92.4**
Revenue from disposal of "Development to sell" properties	107.5	191.7	78.3	297.7
Cost of Development to sell	-83.7	-160.2	91.4	-235.9
Gross profit Development to sell	**23.8**	**31.5**	**32.4**	**61.8**
Fair value Development to hold	144.7	64.4	-55.5	298.2
Cost of Development to hold*	-118.2	-45.5	-61.5	-235.4
Gross profit Development to hold	**26.5**	**18.9**	**-28.7**	**62.8**
Rental revenue Development	0.6	0.5	-16.7	1.2
Operating expenses in the Development segment	-5.8	-15.6	>100	-14.9
Adjusted EBITDA Development	**45.1**	**35.3**	**-21.7**	**110.9**
Adjusted EBITDA Total	**942.2**	**1,021.8**	**8.4**	**1,909.8**
FFO interest expense	-188.8	-163.8	-13.2	-380.1
Current income taxes FFO	-19.8	-43.3	>100	-52.4
Consolidation**	-57.3	-50.0	-12.7	-129.1
Group FFO	**676.3**	**764.7**	**13.1**	**1,348.2**

* Excluding capitalized interest on borrowed capital in H1 2021 of € 0.0 million (H1 2020 € 0.3 million).
** Thereof intragroup profits in H1 2021: € 16.0 million (H1 2020: € 16.1 million), gross profit development to hold in H1 2021: € 18.9 million (H1 2020: € 26.5 million), IFRS 16 effects H1 2021: € 15.1 million (H1 2020: € 14.7 million).

As of the end of the first half of 2021, our apartments were once again virtually fully occupied. The apartment vacancy rate of 2.7% was down slightly on the value of 2.8% seen at the end of June 2020. **Rental income in the Rental segment** rose by 3.3% in total from € 1,132.9 million in the first six months of 2020 to € 1,170.5 million in the first six months of 2021, largely due to organic growth resulting from new construction and modernization measures. Of the rental income in the Rental segment in the first half of 2021, € 939.4 million is attributable to rental income in Germany (H1 2020: € 918.4 million), € 177.4 million to rental income in Sweden (H1 2020: € 161.9 million) and € 53.7 million to rental income in Austria (H1 2020: € 52.6 million).

The current increase in rent due to market-related factors came to 0.9% (H1 2020: 1.0%). We were also able to achieve an increase in rent of 2.0% (H1 2020: 2.3%) thanks to property value improvements as part of our modernization program. The corresponding **like-for-like rent increase** came to 2.9% (H1 2020: 3.3%). If we also include the increase in rent due to new construction measures and measures to add extra stories of 0.5% (H1 2020: 0.6%), then we arrive at an **organic increase in rent** totaling 3.4% (H1 2020: 3.9%). The average monthly in-place rent within the Group at the end of June 2021 came to € 7.29 per m² compared to € 7.03 per m² at the end of June 2020. The monthly in-place rent in the German portfolio at the end of June 2021 came to € 7.09 per m² (June 30, 2020: € 6.88 per m²), with € 10.32 per m² for the Swedish portfolio (June 30, 2020: € 9.65 per m²) and € 4.82 per m² for the Austrian portfolio (June 30, 2020: € 4.73 per m²). The rental income from the portfolio in Sweden reflects inclusive rents, meaning that the amounts contain operating, heating and water supply costs. The rental income from the Austrian property portfolio additionally includes maintenance and improvement contributions (EVB).

We continued with our modernization, new construction and maintenance strategy in the first half of 2021. The total volume of maintenance, modernization and new construction activity rose by 1.0%, from € 859.1 million in the first six months of 2020 to € 868.0 million in the first six months of 2021. Whereas the volume of maintenance measures in the first six months of 2021 came to € 291.0 million, up by 17.4% on the value of € 247.9 million seen in the first six months of 2020, the modernization measures fell by 20.0% from € 437.1 million in the first six months of 2020 to € 349.8 million in the first six months of 2021. The decline in the volume of modernization measures is largely due to significantly lower investing activities in Berlin as a result of the rent freeze and isolated restrictions related to the coronavirus pandemic. However, we do consider the current lower level of investment volume as enough to reach the targets of our climate course. At € 227.2 million, new construction in the first six months of 2021 was up by 30.5% on the prior-year value of € 174.1 million.

Maintenance, Modernization and New Construction

in € million	H1 2020	H1 2021	Change in %	12M 2020
Expenses for maintenance	154.7	163.4	5.6	321.1
Capitalized maintenance	93.2	127.6	36.9	270.9
Maintenance measures	**247.9**	**291.0**	**17.4**	**592.0**
Modernization measures	437.1	349.8	-20.0	908.4
New construction (to hold)	174.1	227.2	30.5	435.5
Modernization and new construction measures	**611.2**	**577.0**	**-5.6**	**1,343.9**
Total cost of maintenance, modernization and new construction	**859.1**	**868.0**	**1.0**	**1,935.9**

Operating expenses in the Rental segment in the first half of 2021 were down by 6.9% on the figures for the first half of 2020, from € 196.8 million to € 183.3 million. All in all, **Adjusted EBITDA Rental** rose by 5.4% from € 781.4 million in the first six months of 2020 to € 823.8 million in the first six months of 2021.

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

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

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

External revenue from our Value-add activities with our end customers in the first half of 2021 were up by 11.2% on the first half of 2020, from € 25.1 million to € 27.9 million. Group revenue rose by 6.7% from € 496.1 million in the first six months of 2020 to € 529.5 million in the first six months of 2021. All in all, revenue from the Value-add segment came to € 557.4 million in the first half of 2021, up by 6.9% on the value of € 521.2 million seen in the first half of 2020. In the first half of 2021, operating expenses in the Value-add segment were up by 5.4% on the figures for the first half of 2020, from € 453.6 million to € 478.2 million.

Adjusted EBITDA Value-add came to € 79.2 million in the first six months of 2021, 17.2% higher than the figure of € 67.6 million reported for the first six months of 2020.

We continued to pursue our selective sales strategy in the 2021 fiscal year. In the **Recurring Sales segment,** we report all business activities relating to the sale of single residential units (Privatize). We privatized 1,865 apartments in the first six months of 2021 (H1 2020: 1,327), thereof 1,527 in Germany (H1 2020: 1,046) and 338 in Austria (H1 2020: 281).

In the Recurring Sales segment, income from the disposal of properties came to € 327.8 million in the first half of 2021, up by 68.1% on the value of € 195.0 million reported in the first half of 2020; of this, € 253.0 million are attributed to sales in Germany (H1 2020: € 138.3 million) and € 74.8 million to sales in Austria (H1 2020: € 56.7 million). Selling costs in the Recurring Sales segment came in at € 7.9 million in the first half of 2021, up by 23.4% on the value of € 6.4 million seen in the first half of 2020.

Adjusted EBITDA Recurring Sales came in at € 83.5 million in the first half of 2021, up by 73.6% on the value of € 48.1 million seen in the first half of 2020. The **fair value step-up for Recurring Sales** came in at 38.7% in the first six months of 2021, on par with the previous year's level (H1 2020: 38.8%).

Outside of the Recurring Sales segment, we made 319 **Non-core Disposals** of residential units as part of our portfolio adjustment measures in the first half of 2021 (H1 2020: 604) with total proceeds of € 29.2 million (H1 2020: € 122.6 million). At 38.2%, the fair value step-up for Non-core Disposals in the first half of 2021 was higher than for the same period in the previous year (36.5%). The individual sales of land contributed to this increase.

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

In the **Development to sell** area, 452 units were completed in the first half of 2021 (H1 2020: 83), thereof 368 in Germany (H1 2020: 83 units), 84 units in Austria (H1 2020: 0 units). In the first half of 2021, income from the disposal amounted to € 191.7 million (H1 2020: € 107.5 million), with € 115.8 million attributable to project development in Germany (H1 2020: € 82.7 million) and € 75.9 million to project development in Austria (H1 2020: € 24.8 million). The resulting gross profit for Development to sell came to € 31.5 million in the first half of 2021 (H1 2020: € 23.8 million).

In the **Development to hold** area, a total of 389 units were completed in the reporting period (H1 2020: 534), thereof 297 in Germany (H1 2020: 308 units) and 92 units in Sweden (H1 2020: 34). No units were completed in Austria in the reporting period (H1 2020: 192). In the Development to hold area, a fair value of € 64.4 million was achieved in the first half of 2021 (H1 2020: € 144.7 million), with € 54.1 million attributable to project development in Germany (H1 2020: € 63.5 million) and € 10.3 million to project development in Sweden (H1 2020: € 3.1 million). However, project development in Austria did not lead to the recognition of fair value in the first half of 2021 (H1 2020: € 78.1 million). The gross profit for Development to hold came to € 18.9 million in the first half of 2021 (H1 2020: € 26.5 million).

Adjusted EBITDA for the Development segment came in at € 35.3 million in the first half of 2021, down by 21.7% on the value of € 45.1 million seen in the first half of 2020. This was due primarily to higher operating expenses. The increase in operating expenses compared to the previous year is related to the integration of BUWOG West and the resulting higher material and personnel costs and business expenses.

In the first six months of the year, the primary key figure for the sustained earnings power, **Group FFO**, increased by a total of 13.1%, from € 676.3 million in the first six months of 2020 to € 764.7 million in the first six months of 2021, largely due to organic growth resulting from new construction and modernization measures and to the much higher proceeds from sales in the Recurring Sales segment. This trend was fueled primarily by the positive development in Adjusted EBITDA Total, which increased by 8.4% from € 942.2 million in the first half of 2020 to € 1,021.8 million in the first half of 2021.

In the 2021 reporting period, the **non-recurring items** eliminated in the **Adjusted EBITDA Total** came to € 91.7 million, up considerably on the prior-year value of € 37.9 million. This was largely due to costs associated with the Deutsche Wohnen public takeover offer. The following table gives a detailed list of the non-recurring items:

Non-recurring Items

in € million	H1 2020	H1 2021	Change in %	12M 2020
Transactions*	22.1	89.2	>100	24.0
Personnel matters	7.2	-0.5	–	27.5
Business model optimization	8.6	3.7	-57.0	13.9
Research & development	–	2.2	–	–
Refinancing and equity measures	–	-2.9	–	-3.9
Total non-recurring items	**37.9**	**91.7**	**>100**	**61.5**

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

Reconciliations

The **financial result** changed from € -205.5 million in the first half of 2020 to € -266.6 million in the first half of 2021. FFO interest expense is derived from the financial result as follows:

Reconciliation of Financial Result/FFO Interest Expense

in € million	H1 2020	H1 2021	Change in %	12M 2020
Interest income	14.7	3.9	-73.5	21.9
Interest expense	-215.1	-179.8	-16.4	-411.4
Other financial result excluding income from investments	-5.1	-90.7	>100	-46.0
Financial result*	**-205.5**	**-266.6**	**29.7**	**-435.5**
Adjustments:				
Other financial result excluding income from investments	5.1	90.7	>100	46.0
Effects from the valuation of interest rate and currency derivatives	34.0	-8.9	–	42.4
Prepayment penalties and commitment interest	2.9	2.0	-31.0	6.2
Effects from the valuation of non-derivative financial instruments	-26.3	-12.2	-53.6	-48.6
Interest accretion to provisions	2.9	2.0	-31.0	6.2
Interest income from bond issue	-11.9	–	-100.0	-11.9
Accrued interest/other effects	15.1	15.4	2.0	-6.0
Net cash interest	**-183.7**	**-177.6**	**-3.3**	**-401.2**
Adjustment for IFRS 16 Leases	4.8	4.8	–	10.5
Adjustment of income from investments in other real estate companies	–	13.6	–	2.4
Adjustment of interest paid due to taxes	5.3	-0.6	–	23.7
Adjustment of accrued interest	-15.2	-4.0	-73.7	-15.5
Interest expense FFO	**-188.8**	**-163.8**	**-13.2**	**-380.1**

* Excluding income from other investments.

The **profit for the period** in the first six months of 2021 came to € 2,680.1 million as against € 1,618.1 million in the first half of 2020. Net income from fair value adjustments of investment properties amounted to € 3,698.6 million in the first half of 2021, up considerably from the prior-year value of € 1,812.3 million in the first half of 2020.

Reconciliation of Profit for the Period/Group FFO

in € million	H1 2020	H1 2021	Change in %	12M 2020
Profit for the period	**1,618.1**	**2,680.1**	**65.6**	**3,340.0**
Financial result*	205.5	266.6	29.7	435.5
Income taxes	823.9	1,411.2	71.3	1,674.4
Depreciation and amortization	42.2	234.3	>100	92.3
Net income from fair value adjustments of investment properties	-1,812.3	-3,698.6	>100	-3,719.8
EBITDA IFRS	**877.4**	**893.6**	**1.8**	**1,822.4**
Non-recurring items	37.9	91.7	>100	61.5
Total period adjustments from assets held for sale	14.6	21.9	50.0	-15.3
Financial income from investments in other real estate companies	–	-13.6	–	-2.4
Other (mainly Non-core Disposals)	-30.3	-6.7	-77.9	-52.7
Intragroup profits	16.1	16.0	-0.6	33.5
Gross profit Development to hold	26.5	18.9	-28.7	62.8
Adjusted EBITDA Total	**942.2**	**1,021.8**	**8.4**	**1,909.8**
Interest expense FFO**	-188.8	-163.8	-13.2	-380.1
Current income taxes FFO	-19.8	-43.3	>100	-52.4
Consolidation	-57.3	-50.0	-12.7	-129.1
Group FFO	**676.3**	**764.7**	**13.1**	**1,348.2**
Group FFO per share in €***	1.25	1.33	6.6	2.38

* Excluding income from other investments.
** Incl. financial income from investments in other real estate companies.
*** Based on the shares carrying dividend rights on the reporting date June 30, 2020: 542,273,611, June 30, 2021: 575,257,327 and Dec. 31, 2020: 565,887,299.

Assets

Consolidated Balance Sheet Structure

	Dec. 31, 2020		June 30, 2021	
	in € million	in %	in € million	in %
Non-current assets	60,632.0	97.1	68,062.7	95.2
Current assets	1,785.4	2.9	3,466.0	4.8
Total assets	**62,417.4**	**100.0**	**71,528.7**	**100.0**
Equity	24,831.8	39.8	27,075.6	37.9
Non-current liabilities	34,669.8	55.5	40,440.2	56.5
Current liabilities	2,915.8	4.7	4,012.9	5.6
Total equity and liabilities	**62,417.4**	**100.0**	**71,528.7**	**100.0**

The Group's **total assets** increased by € 9,111.3 million as against December 31, 2020, rising from € 62,417.4 million to € 71,528.7 million. , Non-current financial assets rose by a total of € 3,416.2 million, in particular due to the shares in Deutsche Wohnen SE that were acquired separately and independently of the voluntary public takeover offer via the stock exchange. Investment properties reported under non-current assets increased by € 4,212.1 million, € 3,698.6 million of which is due to the result of the property valuation process. Real estate inventories fell by € 46.7 million from € 570.4 million to € 523.7 million. Assets held for sale fell by € 95.3 million from € 164.9 million as of December 31, 2020, to € 69.6 million. Cash and cash equivalents increased by € 1,640.3 million from € 613.3 million to

€ 2,253.6 million, largely due to borrowings on the debt market, contributing to the increase in assets.

Goodwill and trademark rights comprised 1.9% of the total assets.

As of June 30, 2021, the **gross asset value (GAV)** of Vonovia's property assets came to € 63,400.5 million, which corresponds to 88.6% of total assets compared with € 59,207.1 million, or 94.9%, at the end of 2020.

The € 2,243.8 million increase in **total equity** from € 24,831.8 million to € 27,075.6 million results in particular from the profit for the period in the amount of € 2,680.1 million. The cash dividend distributions in the sum of € 486.0 million had the opposite effect.

This brings the **equity ratio** to 37.9%, compared with 39.8% at the end of 2020.

Liabilities increased by € 6,867.5 million from € 37,585.6 million to € 44,453.1 million, in particular due to the bond placement on June 16, 2021 in the amount of € 4 billion and the issue of a green bond in the amount of € 600 million in the first quarter of 2021. The amount of non-derivative financial liabilities rose by € 5,405.0 million, with € 4,489.2 million attributable to the increase in non-current non-derivative financial liabilities. Deferred tax liabilities increased by € 1,361.2 million, mostly due to the fair value measurement of Investment Properties.

Net Assets

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

At the end of the first half of 2021, the EPRA NTA came to € 39,373.2 million, up by 10.9% on the value of € 35,488.6 million seen at the end of 2020. EPRA NTA develops in line with the increase in total equity. EPRA NTA per share increased from € 62.71 at the end of 2020 to € 68.44 at the end of the first half of 2021.

EPRA Net Tangible Assets (EPRA NTA)

in € million	Dec. 31, 2020	June 30, 2021	Change in %
Total equity attributable to Vonovia shareholders	**23,143.9**	**25,329.7**	**9.4**
Deferred tax in relation to fair value gains of investment properties*	10,466.7	11,753.0	12.3
Fair value of financial instruments**	54.9	42.1	-23.3
Goodwill as per the IFRS balance sheet	-1,494.7	-1,295.9	-13.3
Intangibles as per the IFRS balance sheet	-117.0	-113.6	-2.9
Real estate transfer tax*	3,434.8	3,657.9	6.5
EPRA NTA	**35,488.6**	**39,373.2**	**10.9**
EPRA NTA per share in €* **	**62.71**	**68.44**	**9.1**

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

Fair Values

Major market developments and valuation parameters that have an impact on the fair values of Vonovia are assessed on an ongoing basis. Due to the market momentum recognized in the first half of 2021, Vonovia decided to perform a new valuation on the 20 German locations that account for the largest fair value shares. The list of the locations to be valued was extended to include ten additional German locations in which considerable changes in value had been observed, as well as Vienna and the portfolio in Sweden. This means that around three-quarters of the portfolio, in terms of portfolio value, was revalued in total. This revaluation led to net income from the valuation of € 3,698.6 million (H1 2020: € 1,812.3 million).

The figure 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 € 18.9 million for the period from January 1 to June 30, 2021 (H1 2020: € 26.5 million).

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. It is impossible to predict the possible effects of this decision on the development of real estate values at the present time. Any effects will materialize in transaction activity subject to a time lag. Vonovia will be keeping an eye on this process and incorporating any findings into the regular calculation of fair values. The potential implications can be estimated via the sensitivities shown in the notes to the consolidated financial statements for 2020.

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

Financial Position

Cash Flow

The Group cash flow is as follows:

Key Data from the Statement of Cash Flows

in € million	H1 2020	H1 2021
Cash flow from operating activities	613.9	692.6
Cash flow from investing activities	-799.9	-3,737.6
Cash flow from financing activities	634.5	4,685.9
Influence of changes in foreign exchange rates	–	-0.6
Net changes in cash and cash equivalents	**448.5**	**1,640.3**
Cash and cash equivalents at the beginning of the period	500.7	613.3
Cash and cash equivalents at the end of the period	**949.2**	**2,253.6**

The cash flow from **operating activities** came to € 692.6 million for the first half of 2021, compared with € 613.9 million for the same period in 2020. The increase is due to the improvement in the operating result. 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 € 3,737.6 million for the first half of 2021. Payments for the acquisition of investment properties came to € 718.9 million in the first half of 2021 (H1 2020: € 776.6 million). On the other hand, income from portfolio sales in the amount of € 359.6 million was collected (H1 2020: € 318.3 million). Payments for investments in other assets amounted to € 3,384.3 million in the first half of 2021 (H1 2020: € 222.0 million). This relates primarily to the acquisition of the shares in Deutsche Wohnen SE.

The cash flow from **financing activities** includes payments for regular and unscheduled repayments in the amount of € 308.0 million (H1 2020: € 1,244.4 million) and, on the other hand, proceeds from issuing financial liabilities in the amount of € 5,780.8 million (H1 2020: € 2,105.9 million). Payouts for transaction and financing costs amounted to € 91.8 million (H1 2020: € 17.1 million). Interest paid in the first six months of 2021 amounted to € 183.0 million (H1 2020: € 187.3 million). Cash paid to shareholders of Vonovia SE and non-controlling interests in the first half of 2021 includes dividend distributions, which in the previous year were not reflected in the cash flow until the third quarter.

Net changes in **cash and cash equivalents** came to € 1,640.3 million.

Financing

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

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

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

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

As of the reporting date of June 30, 2021, Vonovia had placed a total bond volume of € 20.6 billion, € 20.4 billion of which relates to the EMTN program.

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

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

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

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

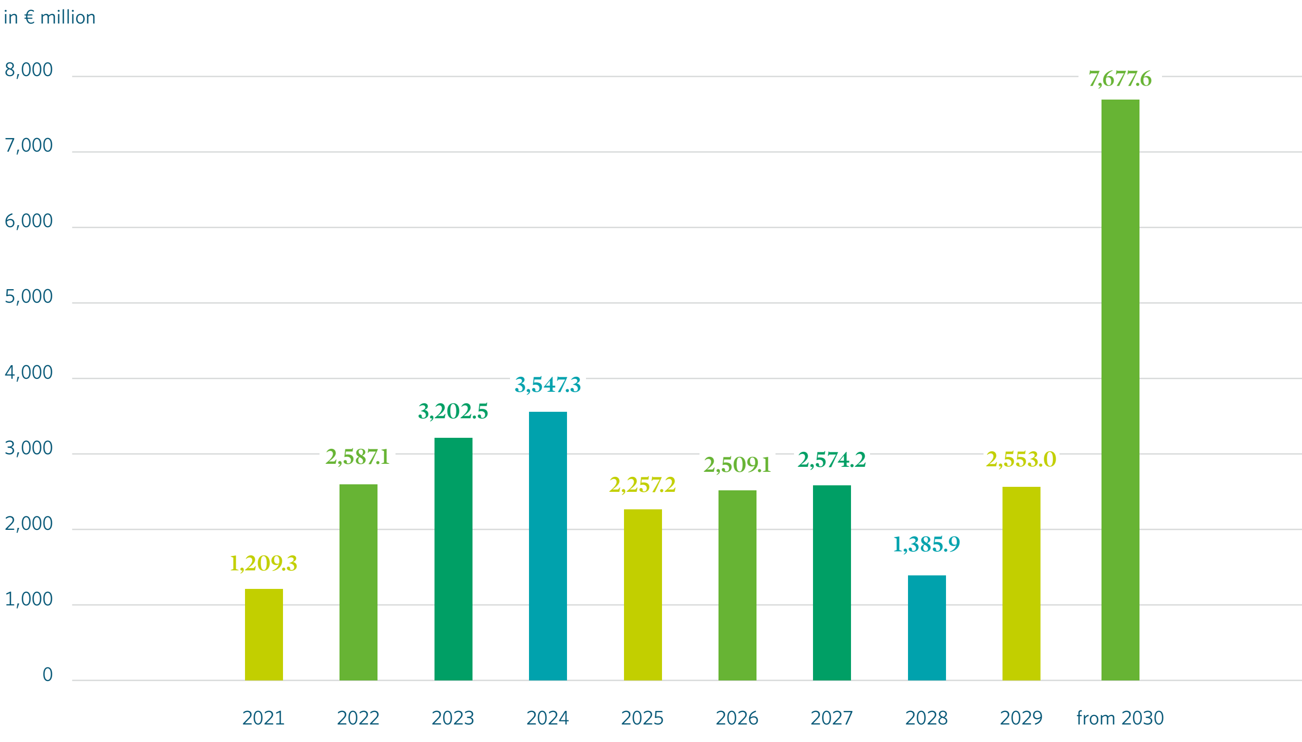
Morgan Stanley, Société Générale and Bank of America provided Vonovia SE with bridge financing of up to € 20,150.0 million on May 26, 2021, and an amendment on June 17, 2021, with a term of up to two years as part of the acquisition of Deutsche Wohnen. This bridge financing is syndicated by the aforementioned banks. This financing is no longer applicable since the takeover bid was unsuccessful.

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%.

Liabilities amounting to around SEK 1,326.0 million (around € 128.4 million) were repaid as scheduled in the Swedish subgroup in the first half of 2021.

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

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



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

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

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

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

in € million	Dec. 31, 2020	June 30, 2021	Change in %
Non-derivative financial liabilities	24,084.7	29,489.7	22.4
Foreign exchange rate effects	-18.9	-25.6	35.4
Cash and cash equivalents	-613.3	-2,253.6	>100
Net debt	**23,452.5**	**27,210.5**	**16.0**
Sales receivables	-122.3	-123.2	0.7
Adjusted net debt	**23,330.2**	**27,087.3**	**16.1**
Fair value of the real estate portfolio	**58,910.7**	**63,099.4**	**7.1**
Shares in other real estate companies	324.8	3,734.8	>100
Adjusted fair value of the real estate portfolio	**59,235.5**	**66,834.2**	**12.8**
LTV	**39.4%**	**40.5%**	**1.1 pp**

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

in € million	Dec. 31, 2020	June 30, 2021	Change in %
Non-derivative financial liabilities	24,084.7	29,489.7	22.4
Total assets	**62,417.4**	**71,528.7**	**14.6**
LTV bond covenants	**38.6%**	**41.2%**	**2.6 pp**

Opportunities and Risks

In addition to the opportunities and risks set out in the combined management report for the 2020 fiscal year, there were just minor changes in the assessment of the overall risk position in the first half of 2021. The risk "unfavorable interest rate developments," which was classed as a green risk as of the end of 2020, was upgraded to a yellow risk with potential net damage of € 100–250 million and a probability of occurrence of 5–39% in the first half of 2021.

There are no indications of any risks that could pose a threat to the company's existence, and – as things stand at present – no such risks are expected to arise in the future. The coronavirus pandemic is currently not having any significant impact on Vonovia's corporate strategy, nor is it having any considerable impact on the company's operational and financial performance. Based on our experience to date, we do not expect the pandemic to have any significant impact in the future either.

Business Outlook

Vonovia can report positive business development in the first six months of the 2021 fiscal year despite the ongoing coronavirus pandemic. The Rental, Recurring Sales and Value-add segments showed positive development. The Development segment reported a moderate downward trend. Unlike in the previous year, this segment contains Bien Ries (now operating under BUWOG – Rhein-Main Development GmbH), which was acquired at the beginning of April 2020, in the first six months of 2021.

The forecast for the 2021 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 2021 fiscal year is based on determined and updated corporate planning for the Vonovia Group as a whole, and considers current business developments, possible opportunities and risks, and the potential impact of the coronavirus pandemic. 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 of the 2020 Group management report entitled "Fundamental Information About the Group" and "Development of the Economy and the Industry."

Beyond this, the Group's further development remains exposed to general opportunities and risks. These have also been described in the chapter on opportunities and risks in the 2020 Group management report.

We expect that the coronavirus pandemic will not have a significant impact on the key operational and financial figures and therefore will have no impact on future business development.

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

Vonovia predicts that all operating segments will contribute to the increase in Adjusted EBITDA Total and Group FFO. The biggest absolute increases are expected to be seen in the Rental and Development segments. This is based, among other things, on the assumption that CO_2 tax can be apportioned to tenants under the German Ancillary Costs Ordinance (Betriebskostenverordnung).

In addition, we expect the value of our company to increase in 2021 and predict a moderate increase in EPRA NTA per share, leaving any further market-related changes in value out of the equation. We expect the high level of customer satisfaction to continue. The reduction of carbon emissions is working better than expected.

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

	Actual 2020	Forecast for 2021	Forecast for 2021 in the 2021 Q1 Report	Forecast for 2021 in the 2021 H1 Report
Total Segment Revenue	€ 4.4 billion	€ 4.9–5.1 billion	€ 4.9–5.1 billion	€ 4.9–5.1 billion
EPRA NTA per share*	**€ 62.71**	**suspended**	**suspended**	**suspended**
Adjusted EBITDA Total	**€ 1,909.8 million**	**€ 1,975–2,025 million**	**€ 1,975–2,025 million**	**€ 2,055–2,105 million**
Group FFO	**€ 1,348.2 million**	**€ 1,415–1,465 million**	**€ 1,415–1,465 million**	**€ 1,465–1,515 million**
Group FFO per share*	€ 2.38	suspended	suspended	suspended
Sustainability Performance Index (SPI)	**–**	**~100%**	**~100%**	**~105%**
Revenue in the Rental segment	€ 2,285.9 million	€ 2.3–2.4 billion	€ 2.3–2.4 billion	€ 2.3–2.4 billion
Organic rent growth (eop)	3.1%	Increase of ~3.0–3.8%**	Increase of ~3.8%	Increase of ~3.8%
Modernization and new construction	€ 1,343.9 million	€ 1.3–1.6 billion	€ 1.3–1.6 billion	€ 1.3–1.6 billion
Number of units sold Recurring Sales	2,442	~2,500	~2,500	~2,800
Fair value step-up Recurring Sales	39.6%	~30%	~30%	>35%

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

Bochum, Germany, July 28, 2021

The Management Board

Condensed Interim Consolidated Financial Statements

Consolidated Income Statement

in € million	Notes	Jan. 1– June 30, 2020	Jan. 1– June 30, 2021	Apr. 1– June 30, 2020	Apr. 1– June 30, 2021
Income from property letting		1,520.8	1,569.9	760.3	787.3
Other income from property management		35.5	37.9	17.9	18.6
Income from property management	B7	**1,556.3**	**1,607.8**	**778.2**	**805.9**
Income from disposal of properties		317.6	356.9	159.2	155.2
Carrying amount of properties sold		-259.8	-310.8	-125.2	-127.4
Revaluation of assets held for sale		14.9	31.5	9.5	15.5
Profit on disposal of properties	B8	**72.7**	**77.6**	**43.5**	**43.3**
Income from the disposal of properties (Development)		107.5	191.7	62.1	107.5
Cost of sold properties		-83.7	-160.2	-45.5	-88.8
Profit on the disposal of properties (Development)	B9	**23.8**	**31.5**	**16.6**	**18.7**
Net income from fair value adjustments of investment properties	B10	1,812.3	3,698.6	1,808.2	3,696.2
Capitalized internal expenses		297.5	312.2	156.4	167.6
Cost of materials	B11	-705.0	-721.8	-350.1	-368.6
Personnel expenses		-292.6	-305.0	-149.1	-153.2
Depreciation and amortization		-42.2	-234.3	-22.9	-213.1
Other operating income		63.0	65.6	27.7	34.2
Impairment losses on financial assets		-16.7	-8.2	-9.5	-4.9
Net income from the derecognition of financial assets measured at amortized cost		0.9	-0.9	-0.2	-0.9
Other operating expenses		-132.1	-189.5	-64.5	-137.4
Net income from investments accounted for using the equity method		0.3	0.2	0.3	0.1
Interest income	B12	14.7	3.9	1.0	1.7
Interest expenses	B13	-215.1	-179.8	-113.1	-100.8
Other financial result	B14	4.2	-66.6	1.4	-71.9
Earnings before tax		**2,442.0**	**4,091.3**	**2,123.9**	**3,716.9**
Income taxes		-823.9	-1,411.2	-717.4	-1,283.8
Profit for the period		**1,618.1**	**2,680.1**	**1,406.5**	**2,433.1**
Attributable to:					
Vonovia's shareholders		1,558.0	2,606.7	1,360.5	2,372.0
Vonovia's hybrid capital investors		14.8	14.8	7.4	7.4
Non-controlling interests		45.3	58.6	38.6	53.7
Earnings per share (basic and diluted) in €		**2.87**	**4.59**	**2.51**	**4.16**

Consolidated Statement of Comprehensive Income

in € million	Jan. 1– June 30, 2020	Jan. 1– June 30, 2021	Apr. 1– June 30, 2020	Apr. 1– June 30, 2021
Profit for the period	1,618.1	2,680.1	1,406.5	2,433.1
Change in unrealized gains/losses	9.2	13.1	-4.0	-2.6
Taxes on the change in unrealized gains/losses	-3.0	-3.9	1.3	0.9
Net realized gains/losses	6.4	1.8	9.1	7.6
Taxes due to net realized gains/losses	-0.5	1.0	-2.2	-1.7
Profit on cash flow hedges	12.1	12.0	4.2	4.2
Changes in the period	-7.1	-38.0	155.8	65.7
Tax effect	2.0	5.0	-22.6	-8.0
Profit on currency translation differences	-5.1	-33.0	133.2	57.7
Items which will be recognized in profit or loss in the future	7.0	-21.0	137.4	61.9
Changes in the period	-0.1	61.9	-0.2	62.5
Taxes on changes in the period	0.1	-0.9	0.2	-1.0
Profit on equity instruments at fair value in other comprehensive income	-	61.0	-	61.5
Change in actuarial gains/losses, net	-9.4	39.3	-9.4	-
Tax effect	3.1	-13.0	3.1	-
Profit on actuarial gains and losses from pensions and similar obligations	-6.3	26.3	-6.3	-
Items which will not be recognized in profit or loss in the future	-6.3	87.3	-6.3	61.5
Other comprehensive income	0.7	66.3	131.1	123.4
Total comprehensive income	**1,618.8**	**2,746.4**	**1,537.6**	**2,556.5**
Attributable to:				
Vonovia's shareholders	1,558.8	2,672.7	1,491.7	2,495.4
Vonovia's hybrid capital investors	14.8	14.8	7.4	7.4
Non-controlling interests	45.2	58.9	38.5	53.7

Consolidated Balance Sheet

Assets

in € million	Notes	Dec. 31, 2020	June 30, 2021
Intangible assets	D16	1,611.7	1,409.5
Property, plant and equipment		387.6	390.9
Investment properties	D17	58,071.8	62,283.9
Financial assets		416.0	3,832.2
Other assets		128.5	129.8
Deferred tax assets		16.4	16.4
Total non-current assets		60,632.0	68,062.7
Inventories		8.7	8.8
Trade receivables		268.9	387.9
Financial assets		0.4	0.5
Other assets		119.0	176.7
Income tax receivables		39.8	45.2
Cash and cash equivalents		613.3	2,253.6
Real estate inventories		570.4	523.7
Assets held for sale		164.9	69.6
Total current assets		1,785.4	3,466.0
Total assets		**62,417.4**	**71,528.7**

Equity and Liabilities

in € million	Notes	Dec. 31, 2020	June 30, 2021
Subscribed capital		565.9	575.3
Capital reserves		9,037.9	9,496.3
Retained earnings		13,368.2	15,046.2
Other reserves		171.9	211.9
Total equity attributable to Vonovia shareholders		**23,143.9**	**25,329.7**
Equity attributable to hybrid capital investors		1,001.6	1,021.4
Total equity attributable to Vonovia shareholders and hybrid capital investors		**24,145.5**	**26,351.1**
Non-controlling interests		686.3	724.5
Total equity	E18	**24,831.8**	**27,075.6**
Provisions		711.3	648.7
Trade payables		5.0	0.2
Non-derivative financial liabilities	E19	22,375.1	26,864.3
Derivatives		76.8	58.3
Lease liabilities	E20	467.3	471.7
Liabilities to non-controlling interests		26.8	27.7
Financial liabilities from tenant financing		45.3	45.5
Other liabilities		2.6	3.0
Deferred tax liabilities		10,959.6	12,320.8
Total non-current liabilities		**34,669.8**	**40,440.2**
Provisions		389.0	469.3
Trade payables		229.5	225.4
Non-derivative financial liabilities	E19	1,709.6	2,625.4
Derivatives		222.2	256.5
Lease liabilities	E20	27.8	24.3
Liabilities to non-controlling interests		16.3	15.6
Financial liabilities from tenant financing		118.1	117.3
Other liabilities		203.3	279.1
Total current liabilities		**2,915.8**	**4,012.9**
Total liabilities		**37,585.6**	**44,453.1**
Total equity and liabilities		**62,417.4**	**71,528.7**

Consolidated Statement of Cash Flows

in € million	Notes	Jan. 1– June 30, 2020	Jan. 1– June 30, 2021
Profit for the period		1,618.1	2,680.1
Net income from fair value adjustments of investment properties	B10	-1,812.3	-3,698.6
Revaluation of assets held for sale	B8	-14.9	-31.5
Depreciation and amortization		42.2	234.3
Interest expenses/income and other financial result	B12/B13/B14	205.5	266.6
Income taxes		823.9	1,411.2
Results from disposals of investment properties	B8	-57.8	-46.1
Results from disposals of other non-current assets		–	0.3
Other expenses/income not affecting cash		-0.3	-3.4
Change in working capital		-122.7	-52.1
Income tax paid		-67.8	-68.2
Cash flow from operating activities		**613.9**	**692.6**
Proceeds from disposals of investment properties and assets held for sale		318.3	359.6
Proceeds from disposals of other assets		0.2	0.5
Payments for investments in investment properties	D17	-776.6	-718.9
Payments for investments in other assets		-222.0	-3,384.3
Payments for acquisition of shares in consolidated companies, in due consideration of liquid funds	A4	-123.4	–
Interest received		3.6	5.5
Cash flow from investing activities		**-799.9**	**-3,737.6**

in € million	Notes	Jan. 1– June 30, 2020	Jan. 1– June 30, 2021
Cash paid to shareholders of Vonovia SE and non-controlling interests		-1.9	-493.0
Proceeds from issuing financial liabilities	E19	2,105.9	5,780.8
Cash repayments of financial liabilities	E19	-1,244.4	-308.0
Cash repayments of lease liabilities	E20	-13.5	-12.0
Payments for transaction costs in connection with capital measures	E19	-14.2	-88.2
Payments for other financing costs		-2.9	-3.6
Payments in connection with the disposal of shares in non-controlling interests		-7.2	-7.1
Interest paid		-187.3	-183.0
Cash flow from financing activities		634.5	4,685.9
Influence of changes in foreign exchange rates on cash and cash equivalents		–	-0.6
Net changes in cash and cash equivalents		448.5	1,640.3
Cash and cash equivalents at the beginning of the period		500.7	613.3
Cash and cash equivalents at the end of the period*		**949.2**	**2,253.6**

* Includes € 1,549.8 million (June 30, 2020: € 0.0 million) in current securities classified as cash equivalents and total restricted cash of € 69.1 million (June 30, 2020: € 176.4 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			**2,606.7**		
Changes in the period			26.0	9.2	61.0
Reclassification affecting net income				2.8	
Other comprehensive income			**26.0**	**12.0**	**61.0**
Total comprehensive income			**2,632.7**	**12.0**	**61.0**
Capital increase	9.4				
Premium on the issue of new shares		460.9			
Transaction costs in connection with the issue of shares		-0.4			
Dividend distributed by Vonovia SE			-956.3		
Changes recognized directly in equity		-2.1	1.6		
As of June 30, 2021	**575.3**	**9,496.3**	**15,046.2**	**-20.9**	**111.0**
As of Jan. 1, 2020*	**542.3**	**8,239.7**	**10,534.4**	**-52.2**	**41.2**
Profit for the period			**1,558.0**		
Changes in the period			-6.2	6.2	
Reclassification affecting net income				5.9	
Other comprehensive income			**-6.2**	**12.1**	
Total comprehensive income			**1,551.8**	**12.1**	
Dividend distributed by Vonovia SE			-851.4		
Changes recognized directly in equity		-2.0	-27.9		
As of June 30, 2020	**542.3**	**8,237.7**	**11,206.9**	**-40.1**	**41.2**

* Adjusted (see note [A2] Adjustment to Prior-Year Figures in the financial statements of December 31, 2020).

Currency translation differences	Total	Equity attributable to Vonovia's shareholders	Equity attributable to Vonovia's hybrid capital investors	Equity attributable to Vonovia's share-holders and hybrid capital investors	Non-controlling interests	Total equity
154.8	171.9	23,143.9	1,001.6	24,145.5	686.3	24,831.8
		2,606.7	14.8	2,621.5	58.6	2,680.1
-33.0	37.2	63.2		63.2	0.3	63.5
	2.8	2.8		2.8		2.8
-33.0	40.0	66.0		66.0	0.3	66.3
-33.0	40.0	2,672.7	14.8	2,687.5	58.9	2,746.4
		9.4		9.4		9.4
		460.9		460.9		460.9
		-0.4		-0.4		-0.4
		-956.3		-956.3		-956.3
		-0.5	5.0	4.5	-20.7	-16.2
121.8	211.9	25,329.7	1,021.4	26,351.1	724.5	27,075.6
2.9	-8.1	19,308.3	1,001.6	20,309.9	813.9	21,123.8
		1,558.0	14.8	1,572.8	45.3	1,618.1
-5.1	1.1	-5.1		-5.1	-0.1	-5.2
	5.9	5.9		5.9		5.9
-5.1	7.0	0.8		0.8		0.7
-5.1	7.0	1,558.8	14.8	1,573.6	45.2	1,618.8
		-851.4		-851.4		-851.4
		-29.9	5.0	-24.9	-51.6	-76.5
-2.2	-1.1	19,985.8	1,021.4	21,007.2	807.5	21,814.7

Notes

Section (A): Principles of the Consolidated Financial Statements

1 General Information

Vonovia SE is incorporated and domiciled in Germany. The company has been registered in the commercial register in Bochum under HRB 16879 since 2017. Its registered office is at Universitätsstraße 133, 44803 Bochum, Germany.

The interim consolidated financial statements as of June 30, 2021, were prepared in line with the International Financial Reporting Standards (IFRS) as they are to be applied in the European Union for interim financial statements in accordance with IAS 34. They include the company and its subsidiaries.

In accordance with IAS 34, the scope of Vonovia's interim consolidated financial statements as of June 30, 2021 is condensed compared with the consolidated financial statements as of December 31, 2020.

2 Adjustment to Prior-Year Figures

Segment Report

Used to measure the performance of the segments over time, segment revenue serves as another growth indicator for Vonovia from the 2020 fiscal year onwards. Total segment revenue includes all income generated by the four segments that contributes to value creation, i.e., that covers costs and makes an earnings contribution. The corresponding reporting is based on the internal reporting to the Management Board, as the chief operating decision-maker, which was adjusted in 2020 and reflects the change with regard to the relevance of total segment revenue from a corporate management perspective. The corresponding prior-year figures have been adjusted to reflect the new reporting system. Detailed information on the adjustment can be found in note [C15] Segment Reporting.

3 Business Combinations

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 € million	
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 has contributed € 2.5 million to income from property management and € 1.9 million to EBITDA IFRS.

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.

4 Currency Translation

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	June 30, 2021	Jan. 1– June 30, 2020	Jan. 1– June 30, 2021
SEK – Swedish krona	10.03	10.11	10.66	10.13
USD – US dollar	1.23	1.19	1.10	1.21

5 Accounting Policies

Recognition and measurement, as well as the explanatory information and notes, are generally based on the same recognition and measurement methods that were used to prepare the consolidated financial statements for the 2020 fiscal year. There were no seasonal or economic influences that had an impact on Vonovia's business activities in the reporting period.

Similarly, the impact of the coronavirus pandemic on Vonovia's business activities was not material during the reporting period.

The new standards and interpretations to be applied as of January 1, 2021, do not have any material effects on Vonovia's consolidated financial statements.

6 Subsequent Events

On 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 against payment of a cash consideration of € 52.00 per share. The acceptance period for the takeover offer expired at midnight on July 21, 2021 (reference date).

As of the reference date, the total number of Deutsche Wohnen shares to be taken into account for the minimum acceptance threshold was 171,394,162, which corresponds to a share of approximately 47.62% of the share capital and voting rights of Deutsche Wohnen.

The closing condition described in the offer document of reaching the minimum acceptance threshold of 179,947,733 Deutsche Wohnen shares (corresponding to approximately 50% of the current share capital of Deutsche Wohnen) did not occur by the end of the acceptance period. The closing condition has therefore definitively failed. As a consequence of the definite failure of this closing condition, both the takeover offer has lapsed and the agreements which have been entered into as a result of the acceptance of the takeover offer have ceased to exist.

As of the reference date, the bidder held a total of 66,057,759 Deutsche Wohnen Shares. This corresponds to approx. 18.36% of the share capital and voting rights of Deutsche Wohnen.

Furthermore, until the reference date, due to a share purchase agreement concluded with Deutsche Wohnen but not yet executed, the bidder held financial instruments relating to 12,708,563 Deutsche Wohnen Shares. This corresponds to approx. 3.53% of the share capital and voting rights of Deutsche Wohnen. As the takeover offer was not successful, the condition precedent of the share purchase agreement has occurred and the share purchase agreement is to be consummated.

Section (B): Profit for the Period

The figures from the previous year are only comparable to a limited extent due to the acquisitions made.

7 Income from Property Management

in € million	Jan. 1– June 30, 2020	Jan. 1– June 30, 2021
Rental income	1,134.2	1,171.7
Ancillary costs	386.6	398.2
Income from property letting	**1,520.8**	**1,569.9**
Other income from property management	35.5	37.9
	1,556.3	**1,607.8**

8 Profit on the Disposal of Properties

in € million	Jan. 1– June 30, 2020	Jan. 1– June 30, 2021
Income from the disposal of investment properties	153.2	146.5
Carrying amount of investment properties sold	-95.4	-100.4
Profit on the disposal of investment properties	**57.8**	**46.1**
Income from sale of assets held for sale	164.4	210.4
Retirement carrying amount of assets held for sale	-164.4	-210.4
Revaluation of assets held for sale	14.9	31.5
Profit on the disposal of assets held for sale	**14.9**	**31.5**
	72.7	**77.6**

The fair value adjustment of residential properties held for sale, for which a purchase contract had been signed but transfer of title had not yet taken place, led to a gain of € 31.5 million as of June 30, 2021 (first half of 2020: € 14.9 million).

9 Profit on Disposal of Real Estate Inventories (Development)

Income from disposal of properties (Development) amounting to € 191.7 million (first half of 2020: € 107.5 million) comprises € 187.0 million (first half of 2020: € 74.5 million) in period-related income from the disposal of properties together with € 4.7 million (first half of 2020: € 33.0 million) in time-related income from the disposal of properties.

10 Net Income from Fair Value Adjustments of Investment Properties

The measurement of the investment properties led to a valuation gain as of June 30, 2021, of € 3,698.6 million (first half of 2020: € 1,812.3 million; see explanatory information in note [D17] Investment Properties). This includes € -1.6 million (first half of 2020: € -2.8 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 € 18.9 million as of June 30, 2021 (first half of 2020: € 26.2 million).

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

11 Cost of Materials

in € million	Jan. 1– June 30, 2020	Jan. 1– June 30, 2021
Expenses for ancillary costs	384.6	388.0
Expenses for maintenance and modernization	270.3	275.6
Other cost of purchased goods and services	50.1	58.2
	705.0	**721.8**

12 Interest Income

in € million	Jan. 1– June 30, 2020	Jan. 1– June 30, 2021
Income from non-current securities and non-current loans	0.9	0.9
Other interest and similar income	13.8	3.0
	14.7	**3.9**

In the previous year, other interest and similar income included income from a bond issue above par in the amount of € 11.9 million.

13 Interest Expenses

in € million	Jan. 1– June 30, 2020	Jan. 1– June 30, 2021
Interest expense from non-derivative financial liabilities	185.9	179.7
Swaps (current interest expense for the period)	7.5	9.5
Effects from the valuation of non-derivative financial instruments	-26.3	-12.2
Effects from the valuation of swaps	34.0	-8.9
Prepayment penalties and commitment interest	2.9	2.0
Interest accretion to provisions	2.9	2.2
Interest from leases	7.6	7.6
Other financial expenses	0.6	-0.1
	215.1	**179.8**

14 Other Financial Result

in € million	Jan. 1– June 30, 2020	Jan. 1– June 30, 2021
Result from currency translation	-0.1	–
Income from other investments	9.3	24.1
Transaction costs	-4.2	-69.1
Purchase price liabilities from put options/rights to reimbursement	-0.8	-19.7
Miscellaneous other financial result	–	-1.9
	4.2	**-66.6**

Income from investments includes financial income from investments in other housing companies amounting to € 13.6 million (first half of 2020: €0.0 million). In addition, financial income from the collection of profits from the investment in AVW GmbH & Co. KG, Hamburg, amounting to € 10.5 million (first half of 2020: € 9.3 million) for the respective previous fiscal year. The transaction costs mainly relate to the voluntary public takeover offer to the shareholders of Deutsche Wohnen SE, Berlin.

Section (C): Other Disclosures on the Results of Operations

15 Segment Reporting

The following table shows the segment information for the reporting period:

in € million	Rental	Value-add	Recurring Sales	Develop-ment	Segments total	Other*	Consolida-tion*	Group
Jan. 1–June 30, 2021								
Segment revenue	1,170.5	557.4	327.8	256.6	2,312.3	427.4	-583.3	2,156.4
thereof external revenue	1,170.5	27.9	327.8	192.2	1,718.4	427.4	10.6	2,156.4
thereof internal revenue		529.5		64.4	593.9	–	-593.9	
Carrying amount of assets sold			-285.4		-285.4	-25.4		
Revaluation from disposal of assets held for sale			49.0		49.0	4.3		
Expenses for maintenance	-163.4				-163.4			
Cost of development to sell				-160.2	-160.2			
Cost of development to hold**				-45.5	-45.5		45.5	
Operating expenses	-183.3	-478.2	-7.9	-15.6	-685.0	-1.4	503.0	
Ancillary costs						-398.3		
Adjusted EBITDA Total	823.8	79.2	83.5	35.3	1,021.8	6.6	-34.8	993.6
Non-recurring items								-91.7
Period adjustments from assets held for sale								-21.9
Income from investments in other real estate companies								13.6
EBITDA IFRS								893.6
Net income from fair value adjustments of investment properties								3,698.6
Depreciation and amortization								-234.3
Income from other investments								-24.1
Interest income								3.9
Interest expenses								-179.8
Other financial result								-66.6
EBT								4,091.3
Income taxes								-1,411.2
Profit for the period								**2,680.1**

* The revenue for the Rental, Value-add, Recurring Sales and Development segments constitutes income that is regularly reported to the Management Board as the chief operating decision-maker and that reflects Vonovia's sustainable business. The revenue/costs in the "Other" and "Consolidation" columns are not part of the Management Board's segment management.
** Excluding capitalized interest on borrowed capital of € 0.0 million (H1 2020 € 0.3 million).

in € million	Rental	Value-add	Recurring Sales	Develop-ment	Segments total	Other*	Consolida-tion*	Group
Jan. 1–June 30, 2020								
Segment revenue**	1,132.9	521.2	195.0	252.8	2,101.9	509.2	-629.7	1,981.4
thereof external revenue	1,132.9	25.1	195.0	108.1	1,461.1	509.2	11.1	1,981.4
thereof internal revenue		496.1		144.7	640.8	–	-640.8	–
Carrying amount of assets sold			-161.4		-161.4	-98.5		
Revaluation from disposal of assets held for sale			20.9		20.9	8.7		
Expenses for maintenance	-154.7				-154.7			
Cost of development to sell				-83.7	-83.7			
Cost of development to hold				-118.2	-118.2		118.2	
Operating expenses	-196.8	-453.6	-6.4	-5.8	-662.6	-2.5	468.9	
Ancillary costs						-386.6		
Adjusted EBITDA Total	781.4	67.6	48.1	45.1	942.2	30.3	-42.6	929.9
Non-recurring items								-37.9
Period adjustments from assets held for sale								-14.6
Income from investments in other real estate companies								–
EBITDA IFRS								877.4
Net income from fair value adjustments of investment properties								1,812.3
Depreciation and amortization								-42.2
Income from other investments								-9.3
Interest income								14.7
Interest expenses								-215.1
Other financial result								4.2
EBT								2,442.0
Income taxes								**-823.9**
Profit for the period								**1,618.1**

* The revenue for the Rental, Value-add, Recurring Sales and Development segments constitutes income that is regularly reported to the Management Board as the chief operating decision-maker and that reflects Vonovia's sustainable business. The revenue/costs in the "Other" and "Consolidation" columns are not part of the Management Board's segment management.

** Adjusted (see note [A2] Adjustment to Prior-Year Figures in the interim financial statements of June 30, 2021).

The reporting of segment revenue was adjusted with the switch to the new internal reporting system. The corresponding prior-year figures have been adjusted. The main adjustments compared with the prior-year reporting period were as follows:

> The amount disclosed for external Value-add revenue (previously € 131.2 million) has been reduced by revenue charged to the Rental segment in connection with services and passed on to tenants in the ancillary costs bills (€ 96.1 million).

> Ancillary cost revenue is shown under external income in the Other category in full. Previously, these amounts were reported under Value-add (€ 96.1 million) and Consolidation (€ 290.5 million).

> The internal Value-add income has been reduced by the revenue from the management of subcontractors in the amount of € 229.3 million, and increased by revenue charged to the Rental segment in connection with services and passed on to tenants in the ancillary costs bills (€ 96.1 million).

> In the Development segment, the fair value (€ 144.7 million) for completed new buildings is shown as internal income. The corresponding production costs are reported under costs of Development to hold (€ 118.2 million).

> The internal income is completely eliminated in the "Consolidation" column. The ancillary cost income is matched by an identical value under costs, as the ancillary costs balance is allocated to operating expenses in the Rental segment. The operating expenses of the segments have been adjusted in line with the changes to the reporting of revenue in each case. This means that the changes in revenue reporting do not result in any changes to the Adjusted EBITDA reported for each segment in general.

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

in € million	Jan. 1– June 30, 2020	Jan. 1– June 30, 2021
Transactions*	22.1	89.2
Personnel matters	7.2	-0.5
Business model optimization	8.6	3.7
Research & development	–	2.2
Refinancing and equity measures	–	-2.9
Total non-recurring items	**37.9**	**91.7**

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

The breakdown of non-Group revenue from contracts with customers (pursuant to IFRS 15.114f.) and its allocation to the segments referred to above is as follows:

in € million	Rental	Value-add	Recurring Sales	Development	Other	Consolida-tion	Total
Jan. 1–June 30, 2021							
Revenue from ancillary costs (IFRS 15)	–	–	–	–	299.3	–	299.3
Income from the disposal of investment properties	–	–	130.0	–	16.5	–	146.5
Income from disposal of real estate inventories (Development)	–	–	–	191.7	–	–	191.7
Other revenue from contracts with customers	–	27.3	–	–	–	10.6	37.9
Revenue from contracts with customers	–	27.3	130.0	191.7	315.8	10.6	675.4
thereof period-related	–	–	–	187.0	–	–	187.0
thereof time-related	–	27.3	130.0	4.7	315.8	–	477.8
Income from rental income (IFRS 16)	1,170.5	0.6	–	0.5	0.1	–	1,171.7
Revenue from ancillary costs (IFRS 16)*	–	–	–	–	98.9	–	98.9
Income from sale of assets held for sale (IFRS 5)	–	–	197.8	–	12.6	–	210.4
Other revenue	1,170.5	0.6	197.8	0.5	111.6	–	1,481.0
Revenues	**1,170.5**	**27.9**	**327.8**	**192.2**	**427.4**	**10.6**	**2,156.4**
Jan. 1–June 30, 2020**							
Revenue from ancillary costs (IFRS 15)	–	–	–	–	289.3	–	289.3
Income from the disposal of investment properties	–	–	104.5	–	48.7	–	153.2
Income from disposal of real estate inventories (Development)	–	–	–	107.5	–	–	107.5
Other revenue from contracts with customers	–	24.2	–	0.2	–	11.1	35.5
Revenue from contracts with customers	–	24.2	104.5	107.7	338.0	11.1	585.5
thereof period-related	–	–	–	74.5	–	–	74.5
thereof time-related	–	24.2	104.5	33.2	338.0	–	511.0
Income from rental income (IFRS 16)	1,132.9	0.9	–	0.4	–	–	1,134.2
Revenue from ancillary costs (IFRS 16)*	–	–	–	–	97.3	–	97.3
Income from sale of assets held for sale (IFRS 5)	–	–	90.5	–	73.9	–	164.4
Other revenue	1,132.9	0.9	90.5	0.4	171.2	–	1,395.9
Revenues	**1,132.9**	**25.1**	**195.0**	**108.1**	**509.2**	**11.1**	**1,981.4**

* Includes land tax and buildings insurance.
** The reporting of segment revenue was adjusted with the switch to the new internal reporting system. The corresponding prior-year figures have been adjusted. See explanation of segment reporting.

External income and non-current assets, excluding financial instruments, deferred taxes, post-employment benefits and rights under insurance contracts, are distributed among Vonovia's country of origin and other countries as follows. The revenue and the assets are allocated based on the registered office of the unit providing the service.

	External income		Assets	
in € million	Jan. 1– June 30, 2020	Jan. 1– June 30, 2021	Dec. 31, 2020	June 30, 2021
Germany	1,648.6	1,739.9	49,902.9	56,598.1
Austria	168.2	236.3	3,189.9	3,259.5
Sweden	164.5	180.1	7,294.5	7,928.3
France	0.0	0.0	110.7	110.7
Other countries	0.1	0.1	117.5	146.9
Total	**1,981.4**	**2,156.4**	**60,615.5**	**68,043.5**

Section (D): Assets

16 Intangible Assets

Goodwill

Goodwill came to € 1,295.9 million as of June 30, 2021. This means that goodwill has dropped by € 198.8 million compared with December 31, 2020. The change is due to an impairment loss of € 192.1 million and to a negative effect resulting from currency changes affecting the Swedish krona in the amount of € 6.7 million. The goodwill resulting from the acquisition of Fjord Immobilien GmbH (formerly H&L Immobilien GmbH) has been allocated in full to the North business area and impaired together with the goodwill of the North business area.

The impairment loss is the result of the impairment test performed in the second quarter of 2021. Within the meaning of IAS 36, the triggering event was the increase in the value of the real estate portfolio in the first half of the 2021 financial year amounting to € 3,698.6 million (thereof € 3,039.5 million in Germany and € 596.8 million in Sweden) in combination with the increased cost of capital of the Rental segment's business areas in Germany and the Sweden business area. Other than for these aforementioned business areas, no triggering events were identified for any other groups of cash-generating units.

The goodwill of the North and West business areas was impaired as a result of the impairment test. There was no need for impairment of the Sweden business area.

In general, an increase in the value of the real estate portfolio increases the carrying amount of the groups of cash-generating units affected by the measurement, which can, in turn, lead to impairment losses being recognized on the goodwill allocated to the business areas.

As part of the impairment test and in accordance with IAS 36.19, first the value in use was calculated based on the Management Board-approved detailed plan with a planning period of five years. This was derived from the five-year plan at Group level approved by the Management Board and the Supervisory Board. With regard to the regional business areas of the Rental segment, the main drivers behind the results of the five-year plan are the increase in gross rental income and the planned vacancy rate.

The growth rate for the cash-generating units of the Rental segment was calculated regionally on the basis of in-place rents and limited to 1% for the segment as a whole. The main parameters for calculating the value in use are the sustainable rate of increase, the average total cost of capital (WACC) and the expected cash flows.

Parameters for WACC Calculation for the Rental segment (Germany)

	Dec. 31, 2020	Jun. 30, 2021
Risk-free interest rate in %	-0.20	0.30
Market risk premium in %	7.75	7.25
Levered beta	0.65	0.66
WACC (before tax) in %	3.80	4.00

The identified need for impairment relates to the North and West business areas, with the goodwill allocated in each case being completely written off. With the impairment loss recognized as of June 30, 2021, there is no remaining goodwill in the business areas of the Rental segment in Germany.

The impairment loss was recognized in the consolidated income statement under depreciation and amortization. The value in use for the North business area amounts to € 7.2 billion and to € 9.1 billion for the West business area.

Parameters for WACC Calculation for the Rental segment (Sweden)

	Dec. 31, 2020	Jun. 30, 2021
Risk-free interest rate in %	-0.20	0.30
Market risk premium in %	7.75	7.25
Levered beta	0.65	0.65
WACC (before tax) in %	3.60	3.75

The value in use for the Rental Sweden segment is € 6.9 billion.

In the Rental Sweden business area, all other things being equal, an impairment loss would be recognized against the allocated goodwill in the event of an increase in the average total cost of capital of 0.02 percentage points, with an increase of 0.30 percentage points triggering a full impairment. A decline in the growth rate of 0.02 percentage points would result in an impairment loss and a decline of 0.33 percentage points would result in a full impairment of the goodwill of the Rental Sweden business area.

17 Investment Properties

in € million	
As of Jan. 1, 2021	**58,071.8**
Additions	281.1
Capitalized modernization costs	444.8
Grants received	-1.7
Transfer from real estate inventories	25.0
Transfer to assets held for sale	-115.0
Other transfers	-1.1
Disposals	-102.0
Net income from fair value adjustments of investment properties	3,698.6
Revaluation of assets held for sale	31.5
Revaluation from currency effects	-49.1
As of June 30, 2021*	**62,283.9**
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 June 30, 2021 include assets of € 525.9 million (Dec. 31, 2020: € 425.4 million) that are measured using the acquisition cost model, as their fair value cannot be measured reliably on a continuing basis.

Fair Values

Vonovia determines fair value in accordance with the requirements of IAS 40 in conjunction with IFRS 13. We refer to the detailed information set out in the consolidated financial statements for 2020.

Vonovia 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 period of ten years and discounted to the date of valuation as the net present value. Furthermore, the terminal value of the property at the end of the ten-year period is determined using the expected stabilized net operating income and again discounted to the date of valuation as the net present value. In addition, the valuation of the portfolio in Austria is based on the assumption of sales strategies for the recurring sales of apartments for a subportfolio. Attainable revenues are calculated based on sales prices for comparable apartments (market approach) and are reported in the appropriate period in the DCF model. In order to take the sales potential into account, the DCF detailed period is extended to 100 years for the Austrian portfolios and no terminal value is used. For the portfolio in Sweden, the result of the external appraiser Savills Sweden AB was applied to the interim balance sheet. The fair values of the portfolio in Sweden were also calculated using a DCF procedure.

Due to the market momentum recognized in the first half of 2021, Vonovia decided to perform a new valuation on the 20 German locations that account for the largest fair value shares. The list of the locations to be valued was extended to include 10 additional German locations in which considerable changes in value had been observed, as well as Vienna and the portfolio in Sweden. The selection includes the lion's share of the portfolio, accounting for roughly three quarters of the total fair value. The property assets in Germany and Austria are also assessed by the independent property appraiser CBRE GmbH. The market value resulting from the external review deviates from the internal valuation result by 0.1%.

For the part of the portfolio that was not revalued, the valuation from the end of 2020 is applied again, with updates to reflect capitalization.

On April 15, 2021, the Federal Constitutional Court declared the law passed by the Berlin House of Representatives that limited rents in Berlin's residential market to be unconstitutional and therefore null and void. It is impossible to predict the possible effects of this decision on the development of real estate values at the present time. Any effects will materialize in transaction activity subject to a time lag. Vonovia will be keeping an eye on this process and incorporating any findings into the regular calculation of market values. The potential implications can be estimated via the sensitivities shown in the notes to the consolidated financial statements for 2020.

The real estate portfolio of Vonovia is to be found in the items investment properties, property, plant and equipment (owner-occupied properties), real estate inventories, contractual assets and assets held for sale. The fair value of the portfolio comprising residential buildings, commercial properties, garages and parking spaces, project developments and undeveloped land, along with any inheritable building rights granted, was € 63,099.4 million as of June 30, 2021 (Dec. 31, 2020: € 58,910.7 million). This corresponds to a net initial yield for the developed land (overall portfolio including Austria and Sweden) of 2.7% (Dec. 31, 2020: 2.9%). For Germany, this results in an in-place rent multiplier of 26.7 for the portfolio (Dec. 31, 2020: 25.4) and a fair value per m^2 of € 2,251 (Dec. 31, 2020: € 2,099 per m^2). The in-place rent multiplier for the Austrian portfolio comes to 25.7 (Dec. 31, 2020: 25.5) and a fair value per m^2 of € 1,603 (Dec. 31, 2020: € 1,570 per m^2), for Sweden to 19.2 (Dec. 31, 2020: 17.4) and a fair value per m^2 of € 2,300 (Dec. 31, 2020: € 2,090 per m^2).

Net income from the valuation of investment properties amounted to € 3,698.6 million in the first half of 2021 (first half of 2020: € 1,812.3 million). For the Austrian portfolio, a sales strategy with an average selling price of € 2,249 per m^2 was assumed for 52.5% of the portfolio. An inflation rate of 1.6% was applied in the DCF procedure.

Explanatory information on the prior-year figures can be found in the 2020 Annual Report of Vonovia SE.

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)
June 30, 2021				
Berlin	8,257.2	1.8	7.4	8,248.1
Rhine Main Area	5,335.5	5.7	9.3	5,320.4
Southern Ruhr Area	4,969.2	9.7	9.3	4,950.3
Dresden	4,496.8	1.2	7.2	4,488.5
Rhineland	4,469.1	8.0	7.5	4,453.6
Hamburg	3,306.4	2.5	4.1	3,299.8
Kiel	2,762.8	1.4	3.6	2,757.8
Munich	2,559.1	4.7	4.5	2,549.8
Stuttgart	2,369.9	0.0	2.2	2,367.7
Hanover	2,224.4	1.3	2.5	2,220.6
Northern Ruhr Area	1,958.6	4.2	6.3	1,948.0
Bremen	1,418.0	0.2	2.1	1,415.6
Leipzig	1,154.5	2.4	1.3	1,150.9
Westphalia	1,099.8	0.5	2.0	1,097.3
Freiburg	757.5	–	2.2	755.4
Other strategic locations	3,318.3	1.9	5.4	3,311.0
Total strategic locations	**50,457.1**	**45.5**	**76.9**	**50,334.8**
Non-strategic locations	599.5	6.0	1.2	592.4
Vonovia Germany	**51,056.6**	**51.4**	**77.9**	**50,927.2**
Vonovia Sweden**	6,852.8	–	–	6,852.8
Vonovia Austria**	2,844.9	16.8	49.0	2,779.0

* Fair value of the developed land excl. € 2,345.1 million for development, undeveloped land, inheritable building rights granted and other; € 1,415.4 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 € 309.5 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.

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 compensated for by a high vacancy reserve in the location in question, then the market rent level does not necessarily change.

Changes in the demand for housing can also impact the risk associated with the expected cash flows, which is then reflected in adjusted discounting and capitalizing 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 housing stock, in seller and buyer behavior, political decisions and developments on the capital market.

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
266	14.28	7.97	1.8%	1.1%	4.1%	2.4%
284	14.09	9.44	1.8%	1.1%	4.4%	2.7%
279	12.87	7.14	1.5%	2.6%	4.5%	3.2%
251	14.22	6.74	1.7%	2.2%	4.5%	3.0%
282	13.82	8.32	1.7%	1.9%	4.7%	3.1%
269	14.51	8.56	1.6%	1.3%	4.3%	2.8%
272	15.03	7.59	1.6%	1.7%	4.7%	3.2%
273	14.10	11.66	1.8%	0.6%	4.4%	2.7%
283	14.70	9.29	1.8%	1.2%	4.7%	3.0%
272	14.14	7.57	1.7%	2.1%	4.6%	3.1%
279	13.26	6.46	1.3%	3.3%	5.1%	4.0%
278	13.43	7.02	1.8%	2.2%	4.6%	3.0%
264	14.96	6.76	1.7%	3.0%	4.6%	3.1%
277	13.43	7.35	1.5%	2.0%	4.7%	3.4%
281	15.52	8.50	1.7%	1.0%	4.3%	2.7%
279	14.17	7.69	1.6%	2.3%	4.8%	3.4%
273	**14.02**	**7.84**	**1.7%**	**1.9%**	**4.5%**	**3.0%**
276	15.38	7.69	1.7%	2.6%	4.8%	3.2%
273	**14.03**	**7.84**	**1.7%**	**1.9%**	**4.5%**	**3.0%**
n.a.	n.a.	10.50	2.0%	0.9%	5.4%	3.4%
n.a.	19.42	5.65	1.6%	2.4%	5.3%	n.a.

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
June 30, 2021			
Berlin	0.5/-0.5	1.6/-1.6	5.3/-5.4
Rhine Main Area	0.4/-0.4	1.3/-1.3	3.5/-3.6
Southern Ruhr Area	0.8/-0.8	2.1/-2.1	4.9/-5.0
Dresden	0.7/-0.7	2.1/-2.1	5.2/-5.3
Rhineland	0.5/-0.5	1.6/-1.6	3.8/-4.0
Hamburg	0.5/-0.5	1.7/-1.7	4.3/-4.4
Kiel	0.7/-0.7	2.1/-2.1	4.6/-4.8
Munich	0.3/-0.3	1.1/-1.1	3.4/-3.5
Stuttgart	0.5/-0.5	1.4/-1.4	3.3/-3.5
Hanover	0.6/-0.6	1.9/-1.9	4.5/-4.6
Northern Ruhr Area	0.9/-0.9	2.6/-2.6	4.7/-4.8
Bremen	0.7/-0.7	2.0/-2.0	5.3/-5.4
Leipzig	0.6/-0.6	2.2/-2.2	5.4/-5.5
Westphalia	0.7/-0.7	2.1/-2.1	4.4/-4.5
Freiburg	0.5/-0.5	1.7/-1.7	4.1/-4.3
Other strategic locations	0.6/-0.6	1.9/-1.9	4.0/-4.1
Total strategic locations	0.6/-0.6	1.8/-1.8	4.5/-4.6
Non-strategic locations	0.6/-0.6	2.2/-2.2	5.9/-6.0
Vonovia Germany	**0.6/-0.6**	**1.8/-1.8**	**4.5/-4.6**
Vonovia Sweden*	n.a.	n.a.	1.3/-1.3
Vonovia Austria*	n.a.	0.3/-0.3	0.4/-0.5

* The valuation methods for the portfolio in Austria and Sweden use valuation parameters that are only partially comparable. Administrative and maintenance expenses are not shown separately.

Section (E): Capital Structure

18 Total Equity

Development of the Subscribed Capital

in €	
As of Jan. 1, 2021	565,887,299.00
Capital increase against non-cash contributions on May 17, 2021 (scrip dividend)	9,370,028.00
As of June 30, 2021	**575,257,327.00**

Development of the Capital Reserves

in €	
As of Jan. 1, 2021	9,037,861,361.33
Premium from capital increase for scrip dividend on May 17, 2021	460,939,787.40
Transaction costs on the issue of new shares (after allowing for deferred taxes)	-406,715.69
Other changes not affecting net income	-2,112,139.89
As of Jun. 30, 2021	**9,496,282,293.15**

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	-9.8/12.1	1.4/-1.7	12.3/-9.9
-2.3/2.3	-8.0/9.5	0.9/-1.5	10.2/-8.4
-2.5/2.5	-7.8/9.2	1.9/-1.9	8.9/-7.6
-2.5/2.5	-8.0/9.4	1.8/-1.8	9.4/-7.9
-2.3/2.3	-7.5/8.7	1.6/-1.6	9.1/-7.7
-2.3/2.3	-8.2/9.7	1.2/-1.6	10.2/-8.4
-2.4/2.5	-7.6/8.9	1.7/-1.8	8.7/-7.4
-2.1/2.1	-8.2/9.8	0.7/-1.4	10.9/-9.0
-2.3/2.3	-7.4/8.6	1.3/-1.5	9.1/-7.7
-2.4/2.4	-7.7/9.0	1.7/-1.7	9.1/-7.7
-2.6/2.6	-6.5/7.3	2.0/-2.0	6.7/-6.0
-2.4/2.3	-8.1/9.6	1.7/-1.8	9.4/-8.0
-2.5/2.4	-8.1/9.6	1.8/-1.8	9.4/-7.9
-2.3/2.4	-7.1/8.3	1.8/-1.8	8.1/-7.0
-2.3/2.3	-8.3/9.9	1.1/-1.6	10.2/-8.5
-2.4/2.4	-7.1/8.2	1.7/-1.7	8.2/-7.0
-2.4/2.4	**-8.1/9.6**	**1.5/-1.7**	**9.8/-8.1**
-2.5/2.5	-8.8/10.4	1.9/-1.8	10.5/-8.9
-2.4/2.4	**-8.1/9.6**	**1.5/-1.7**	**9.8/-8.2**
-3.0/3.0	-1.4/1.4	0.8/-1.2	8.3/-7.0
-0.4/0.3	-1.0/1.1	0.9/-0.9	4.8/-4.4

Dividend

The Annual General Meeting held on April 16, 2021, resolved to pay a dividend for the 2020 fiscal year in the amount of € 1.69 per share, € 956.3 million in total.

As in previous years, shareholders were offered the option of choosing between being paid the dividend in cash or being granted new shares. During the subscription period, shareholders holding a total of 49.18% of the shares carrying dividend rights opted for the scrip dividend instead of the cash dividend. As a result, 9,370,028 new shares were issued using the company's authorized capital pursuant to Section 5b of the Articles of Association ("2018 authorized capital") at a subscription price of € 50.193, i.e., a total amount of € 470,309,815.40. The total amount of the dividend distributed in cash therefore came to € 486,039,719.91.

Authorized Capital

After being used in connection with the capital increase in 2021, the 2018 authorized capital fell by € 9,370,028.00 from € 194,741,048.00 to € 185,371,020.00 as of June 30, 2021. Shareholder subscription rights for the 2018 authorized capital can be excluded.

19 Non-derivative Financial Liabilities

in € million	Dec. 31, 2020 non-current	Dec. 31, 2020 current	June 30, 2021 non-current	June 30, 2021 current
Non-derivative financial liabilities				
Liabilities to banks	6,375.2	533.8	7,502.7	967.3
Liabilities to other creditors	15,999.9	1,060.7	19,361.6	1,541.2
Deferred interest from non-derivative financial liabilities	–	115.1	–	116.9
	22,375.1	**1,709.6**	**26,864.3**	**2,625.4**

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 € 25.6 million lower than the recognized value (Dec. 31, 2020: € 18.9 million).

The nominal obligations of the liabilities to banks and the liabilities to other creditors developed as follows:

in € million	Dec. 31, 2020	June 30, 2021
Bond (USD)*	185.0	185.0
Bond (EMTN)*	15,300.0	19,800.0
Bond (Green Bond) *	–	600.0
Promissory note loan*	50.0	250.0
Mortgages**	8,516.6	8,668.2
	24,051.6	**29,503.2**

* 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.

Of the nominal obligations to creditors, € 7,318.2 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). In the event of a breach of the covenants, failure to repay or insolvency, the securities provided are used to satisfy the claims of the creditors.

Repayment of Secured Financing

Liabilities amounting to around SEK 1,326.0 million (around € 128.4 million) were repaid as scheduled in the Swedish subgroup in the first half of 2021.

Issue of Bonds Under the European Medium-Term Notes Program (EMTN)

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

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

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

Promissory Note Loans

M.M. Warburg provided Vonovia SE with € 20.0 million as part of a fully digital registered bond in January 2021. It has a term of three years.

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

A promissory note loan in the amount of € 60.0 million with an eight-year term was provided by Degussa Bank in March 2021.

Also in March, M.M. Warburg subscribed to a promissory note of Vonovia SE in the amount of € 20.0 million and with a two-year term.

New Portfolio Loans

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

Bridge Financing

Morgan Stanley, Société Générale and Bank of America provided Vonovia SE with bridge financing of up to € 20,150.0 million on May 26, 2021, and an amendment on June 17, 2021, with a term of up to two years as part of the acquisition of Deutsche Wohnen. This bridge financing is syndicated by the aforementioned banks. This financing is no longer applicable since the takeover bid was unsuccessful.

20 Leases

The following table shows the development of right-of-use assets arising from leases within the meaning of IFRS 16 as of June 30, 2021, compared with December 31, 2020.

Development of Right-of-Use Assets

in € million	Dec. 31, 2020	June 30, 2021
Right-of-use assets		
Leasehold contracts	1,431.9	1,451.7
Interim rental agreements	1.3	1.2
Right-of-use assets within investment properties	**1,433.2**	**1,452.9**
Leasing of land for the construction of owner-occupied commercial properties	27.3	27.5
Lease agreements	22.9	19.3
Contracting	15.9	13.9
Vehicle leases	2.6	4.2
Tenancy and license agreements	0.6	0.5
Leases of IT equipment	3.0	2.5
Right-of-use assets within property, plant and equipment	**72.3**	**67.9**
	1,505.5	**1,520.8**

The following table shows the development of current and non-current liabilities arising from leases within the meaning of IFRS 16 as of June 30, 2021, compared with December 31, 2020.

Development of Lease Liabilities

	Dec. 31, 2020		June 30, 2021	
in € million	non-current	current	non-current	current
Lease liabilities				
Leasehold contracts (IAS 40)	407.2	10.6	415.0	11.0
Interim rental agreements	0.4	0.9	0.3	0.9
Leasing of land for the construction of owner-occupied commercial properties	27.8	0.1	27.6	0.1
Lease agreements	14.9	8.3	11.9	7.5
Contracting	13.6	5.0	12.8	1.5
Vehicle leases	1.1	1.5	2.4	1.8
Tenancy and license agreements	0.6	0.1	0.5	0.1
Leases of IT equipment	1.7	1.3	1.2	1.4
	467.3	**27.8**	**471.7**	**24.3**

Section (F): Additional Financial Management Disclosures

21 Additional Financial Instrument Disclosures

Measurement categories and classes:

in € million	Carrying amounts June 30, 2021
Assets	
Cash and cash equivalents	
Cash on hand and deposits at banking institutions	703.8
Commercial papers	150.0
Money market funds	1,399.8
Trade receivables	
Receivables from the sale of properties	62.6
Receivables from property letting	35.7
Other receivables from trading	13.4
Receivables from sale of real estate inventories (Development)	276.2
Financial assets	
Investments valued at equity	30.2
Loans to other investments	33.2
Other non-current loans	10.6
Non-current securities	5.0
Other investments	3,721.4
Derivative financial assets	
Cash flow hedges (cross currency swaps)	25.8
Stand-alone interest rate swaps and interest rate caps as well as embedded derivatives	6.5
Liabilities	
Trade payables	225.6
Non-derivative financial liabilities	29,489.7
Derivative financial liabilities	
Purchase price liabilities from put options/rights to reimbursement	252.4
Stand-alone interest rate swaps and interest rate caps	38.6
Cash flow hedges	23.8
Lease liabilities	496.0
Liabilities from tenant financing	162.8
Liabilities to non-controlling interests	43.3

	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 June 30, 2021	Fair value hierarchy level
	703.8					703.8	1
	150.0					150.0	2
	1,399.8					1,399.8	2
	62.6					62.6	2
	35.7					35.7	2
	13.4					13.4	2
	276.2					276.2	2
					30.2	30.2	n.a.
	33.2					59.4	2
	10.6					10.6	2
				5.0		5.0	1
				3,721.4		3,721.4	2
		-13.8	39.6			25.8	2
		6.5				6.5	2
	225.6					225.6	2
	29,489.7					30,856.6	2
	252.4					252.4	3
		38.6				38.6	2
		14.0	9.8			23.8	2
					496.0		
	162.8					162.8	2
	43.3					43.3	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 € 3.9 million (Dec. 31, 2020: € 4.3 million).

> Amount by which the fair value of plan assets exceeds the corresponding obligation: € 0.5 million (Dec. 31, 2020: € 0.8 million).

> Provisions for pensions and similar obligations: € 584.5 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	June 30, 2021	Level 1	Level 2	Level 3
Assets				
Investment properties	62,283.9			62,283.9
Financial assets				
Non-current securities	5.0	5.0		
Other investments	3,721.4	3,409.9	311.5	
Assets held for sale				
Investment properties (contract closed)	69.6		69.6	
Derivative financial assets				
Cash flow hedges (cross currency swaps)	25.8		25.8	
Stand-alone interest rate swaps and caps as well as embedded derivatives	6.5		6.5	
Liabilities				
Derivative financial liabilities				
Cash flow hedges	23.8		23.8	
Stand-alone interest rate swaps and caps	38.6		38.6	

in € million	Dec. 31, 2020	Level 1	Level 2	Level 3
Assets				
Investment properties	58,071.8			58,071.8
Financial assets				
Non-current securities	4.9	4.9		
Other investments	311.2		311.2	
Assets held for sale				
Investment properties (contract closed)	164.9		164.9	
Derivative financial assets				
Cash flow hedges (cross currency swaps)	18.8		18.8	
Stand-alone interest rate swaps and caps as well as embedded derivatives	4.0		4.0	
Liabilities				
Derivative financial liabilities				
Cash flow hedges	31.3		31.3	
Stand-alone interest rate swaps and caps	47.2		47.2	

In general, Vonovia measures its investment properties on the basis of the discounted cash flow (DCF) methodology (Level 3). The material valuation parameters and valuation results can be found in chapter [D28] Investment Properties of the consolidated financial statements as of December 31, 2020.

The investment properties classified as assets held for sale are recognized at the time of their transfer to assets held for sale at their new fair value, the agreed purchase price (Level 2).

No financial instruments were reclassified to different hierarchy levels as against the comparative period.

Securities are generally measured using the quoted prices in active markets (Level 1).

The increase in other investments amounts to € 3,409.9 million from the acquisition of shares in Deutsche Wohnen SE, Berlin, along with the market valuation of the shares as of June 30, 2021.

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 10 to 100 basis points, depending on the residual maturities of financial instruments. Regarding the positive market values of the cross currency swaps, a counterparty risk of 30 basis points was taken into account.

The calculated cash flows of the cross currency swaps result from the forward curves for USD/EUR. The cash flows are discounted on the basis of the reference interest rate of each currency (LIBOR and EURIBOR) and translated into euros at the current exchange rate (Level 2).

The fair values of the cash and cash equivalents, trade receivables and other financial receivables approximate their carrying amounts at the reporting date owing to their mainly short maturities. The amount of the estimated impairment loss on cash and cash equivalents was calculated based on the losses expected over a period of twelve months. It was determined that the cash and cash equivalents have a low risk of default due to the external ratings and short residual maturities and that there is no need for any material impairment of cash and cash equivalents.

Risk in the area of rent receivables was examined through an analysis of the reduced general creditworthiness (as a special forward-looking parameter of impairment losses for financial assets as defined by IFRS 9). As Vonovia receives rent payments mostly in advance, only deferred rents and similar receivables are affected. Since these receivables are very soon subject to a specific impairment loss, an additional need for impairment loss is currently not foreseeable. The further development of the receivables is continuously monitored.

In the area of receivables from the sale of properties, the credit risk is compensated for by Vonovia retaining ownership of the property until the purchase price is paid.

Vonovia is involved in a number of legal disputes resulting from normal business activities. In particular, these involve tenancy, construction and sales law disputes and, in individual cases, company law disputes (mainly following squeeze-out processes). None of the legal disputes, taken in isolation, will have any material effects on the net assets, financial position or results of operations of Vonovia.

Bochum, July 28, 2021

Rolf Buch
(CEO)

Arnd Fittkau
(CRO)

Helene von Roeder
(CFO)

Daniel Riedl
(CDO)

Audit Certificate

To Vonovia SE, Bochum

We have reviewed the condensed interim consolidated financial statements – comprising the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity and selected explanatory notes to the consolidated financial statements – and the interim Group management report of Vonovia SE, Bochum, for the period from January 1 to June 30, 2021, which form part of the half-year report pursuant to Section 115 WpHG. The legal representatives of the company are responsible for the preparation of the condensed interim consolidated financial statements pursuant to the IFRS for interim financial reporting, as applicable in the EU, and for the preparation of the interim Group management report in accordance with the WpHG provisions applicable in respect of consolidated interim management reports. It is our responsibility to issue a certificate for the condensed interim consolidated financial statements and the interim Group management report on the basis of our review.

We have reviewed the condensed interim consolidated financial statements and the interim Group management report in compliance with the German Generally Accepted Standards for Financial Statement Audits promulgated by the institute of public auditors (IDW) and supplementary compliance with the International Standard of Review Engagements "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE 2410). Pursuant to the above standards, the review must be planned and conducted in such a way that, following critical assessment, we are able to rule out with a certain degree of certainty that the condensed interim consolidated financial statements have been prepared in a way that is non-compliant with the IFRS for interim financial reporting, as applicable in the EU, in material respects and that the interim Group management report has been prepared in a way that is non-compliant with the WpHG provisions applicable to consolidated interim management reports in material respects. First and foremost, a review is restricted to interviews with employees of the company and analytical evaluations, and therefore does not offer the level of certainty achievable through an audit. As, pursuant to the terms of our assignment, we did not conduct an audit, we are unable to issue an audit opinion.

On the basis of our review, we did not become aware of any circumstances that gave us reason to believe that the condensed interim consolidated financial statements have been prepared in a way that is non-compliant with the IFRS for interim financial reporting, as applicable in the EU, in material respects or that the interim Group management report has been prepared in a way that is non-compliant with the WpHG provisions applicable to consolidated interim management reports in material respects.

Düsseldorf, August 4, 2021

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Ufer	Bornhofen
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Responsibility Statement

"To the best of our knowledge and in accordance with the applicable reporting principles, the interim consolidated financial statements give a true and fair view of the Group's net assets, financial position and results of operations, and the combined Group management report includes a fair view of the business development including the results and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group in the remainder of the fiscal year."

Bochum, Germany, July 28, 2021

Rolf Buch (CEO)	Arnd Fittkau (CRO)	Helene von Roeder (CFO)	Daniel Riedl (CDO)

Portfolio Information

Vonovia manages its own real estate portfolio with a market value of € 63.1 billion as of June 30, 2021. The vast majority of our apartments are located in regions with positive economic and demographic development prospects.

Portfolio Structure

	Fair value*				
June 30, 2021	(in € million)	(in €/m²)	Residential units	Vacancy (in %)	In-place rent (in €/m²)**
Strategic	46,816.9	2,245	327,926	2.5	7.07
Operate	15,815.6	2,221	107,182	2.6	7.45
Invest	31,001.3	2,257	220,744	2.5	6.89
Recurring Sales	4,065.4	2,398	24,857	2.8	7.20
Non-core Disposals	174.3	1,325	1,148	11.7	7.88
Vonovia Germany	**51,056.6**	**2,251**	**353,931**	**2.6**	**7.09**
Vonovia Sweden	6,852.8	2,300	38,371	2.5	10.32
Vonovia Austria	2,844.9	1,603	21,766	4.9	4.82
Total	**60,754.3**	**2,215**	**414,068**	**2.7**	**7.29**

In order to boost transparency in portfolio presentation, we also break our portfolio down into 15 regional markets. 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.

Breakdown of Strategic Housing Stock by Regional Market

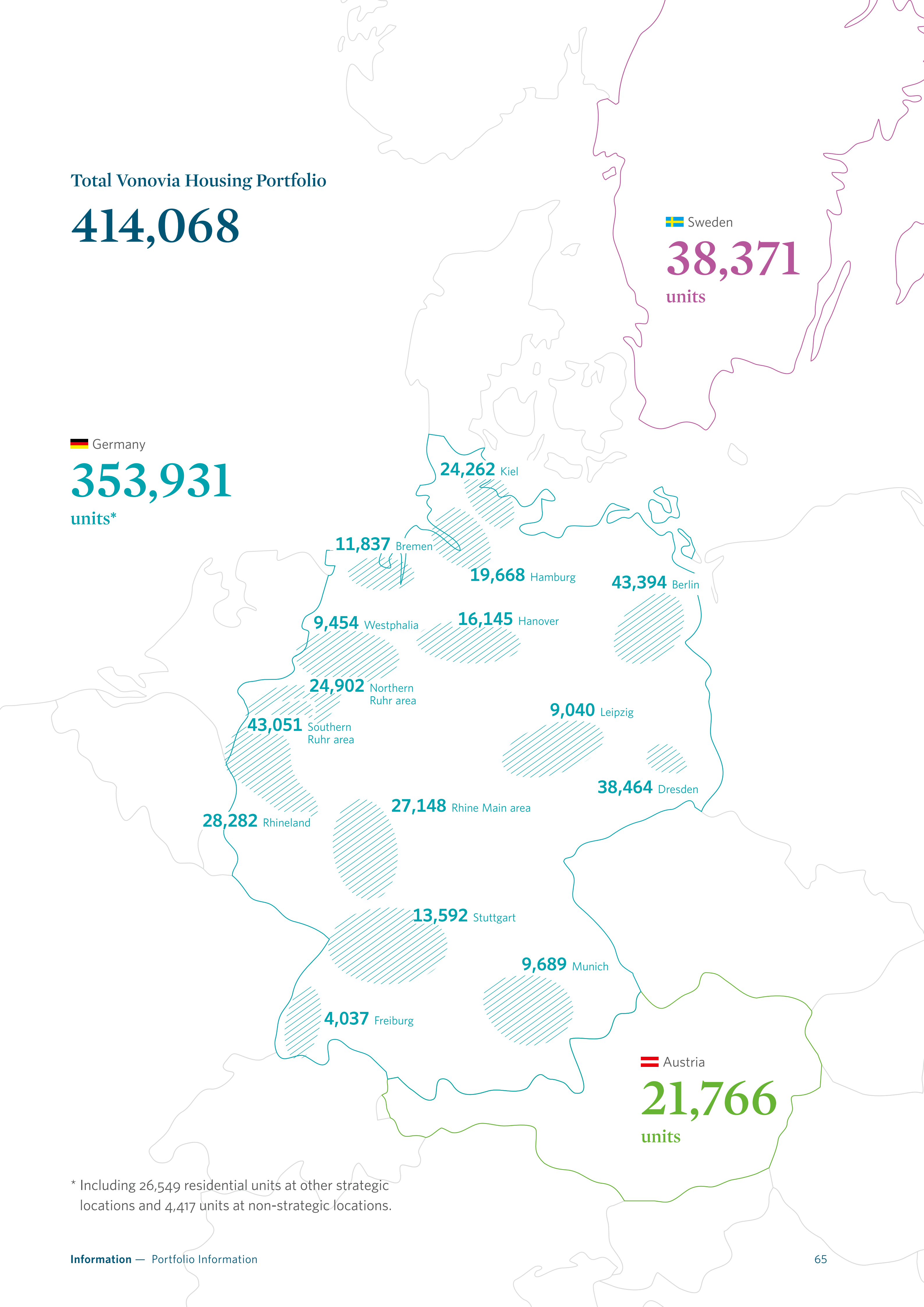
	Fair value*				
June 30, 2021	(in € million)	(in €/m²)	Residential units	Vacancy (in %)	In-place rent (in €/m²)**
Regional market					
Berlin	8,257.2	2,888	43,394	1.3	7.03
Rhine Main Area	5,335.5	3,023	27,148	1.8	8.71
Southern Ruhr Area	4,969.2	1,848	43,051	3.2	6.56
Dresden	4,496.8	1,962	38,464	3.8	6.41
Rhineland	4,469.1	2,318	28,282	2.4	7.55
Hamburg	3,306.4	2,591	19,668	1.7	7.55
Kiel	2,762.8	1,935	24,262	2.2	6.73
Munich	2,559.1	3,911	9,689	1.2	8.58
Stuttgart	2,369.9	2,728	13,592	1.8	8.29
Hanover	2,224.4	2,138	16,145	2.4	7.02
Northern Ruhr Area	1,958.6	1,261	24,902	3.0	6.07
Bremen	1,418.0	1,928	11,837	3.3	6.18
Leipzig	1,154.5	1,881	9,040	3.6	6.27
Westphalia	1,099.8	1,761	9,454	3.2	6.63
Freiburg	757.5	2,717	4,037	1.1	7.84
Other strategic locations	3,318.3	1,936	26,549	2.9	7.15
Total strategic locations Germany	**50,457.1**	**2,261**	**349,514**	**2.5**	**7.09**

* Fair value of the developed land excluding € 2,345.1 million, of which € 693.6 million for undeveloped land and inheritable building rights granted, € 468.5 million for assets under construction, € 855.2 million for development and € 327.8 million for other.

** Based on the country-specific definition.

Total Vonovia Housing Portfolio

414,068



* Including 26,549 residential units at other strategic locations and 4,417 units at non-strategic locations.

Financial Calendar

August 6, 2021
Publication of the interim financial report for the first half of 2021

November 4, 2021
Publication of the interim financial report for the first nine months of 2021

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Note

This interim financial report is published in German and English. The German version is always the authoritative text. The interim financial report can be found on the website at www.vonovia.de.

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Disclaimer

This interim financial 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 2019 Annual Report. We do not assume any obligation to update the forward-looking statements contained in this interim report. This interim report does not constitute an offer to sell or the solicitation of an offer to subscribe for or buy any securities of Vonovia SE.

Imprint

Published by:
The Management Board of Vonovia SE

Concept and Realization:
Berichtsmanufaktur GmbH, Hamburg

Translation:
EnglishBusiness AG, Hamburg

As of August 2021