

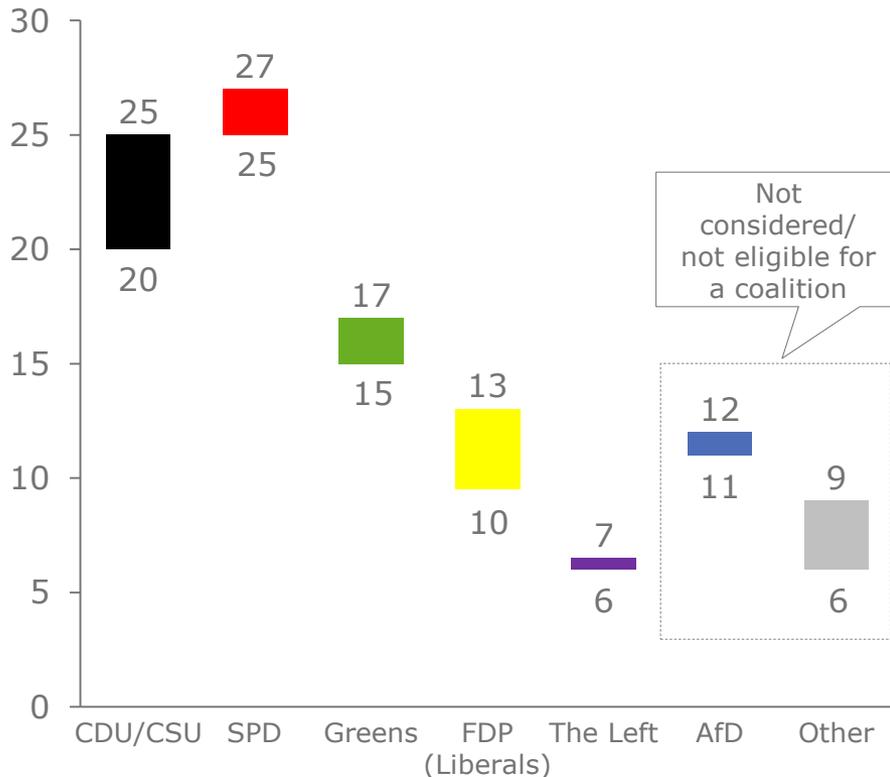
## Capital Markets Update

- Federal Elections Outlook
- Rights Issue Considerations
- Illustrative NTA & FFO Accretion Scenarios

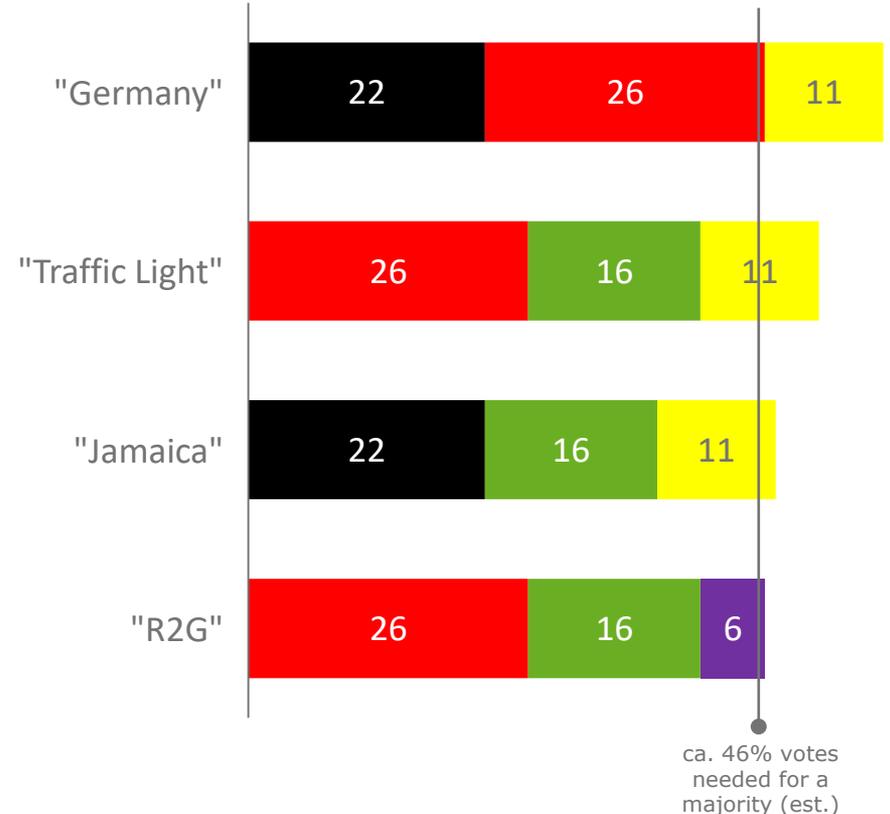
September 20, 2021

Based on most recent polls several combinations are possible and a clear winner combination with an obvious mandate to form the new government looks unlikely.

Current min/max polling results (based on eight leading pollsters (%))



Possible coalitions (based on simple averages across eight leading pollsters (%))



Source: <https://www.wahlrecht.de/umfragen/> as of Sep. 17, 2021

- As polls indicate a tight race it seems likely that the election results will not deliver a clear outcome and different coalitions will be possible.
- Any coalition will require substantial consensus, and it is impossible to predict what concessions will be made by which party and on which issue.
- The very strict hardline positions laid out in the various manifestos will most likely be diluted in coalition negotiations as parties are forced to find consensus and common ground.
- In light of (i) the consensual view across party lines to combat climate change and reduce CO<sub>2</sub> and (ii) the high ratio of retail landlords (65%) there seems to be a factual need for housing policy to remain sufficiently balanced in order to increase much needed CO<sub>2</sub> reduction efforts and also to leave enough “breathing room” for private owners.

# Investments, Modernization, and Climate Protection

## Consensus on Need to Reduce CO<sub>2</sub> but Different Ways to Get There

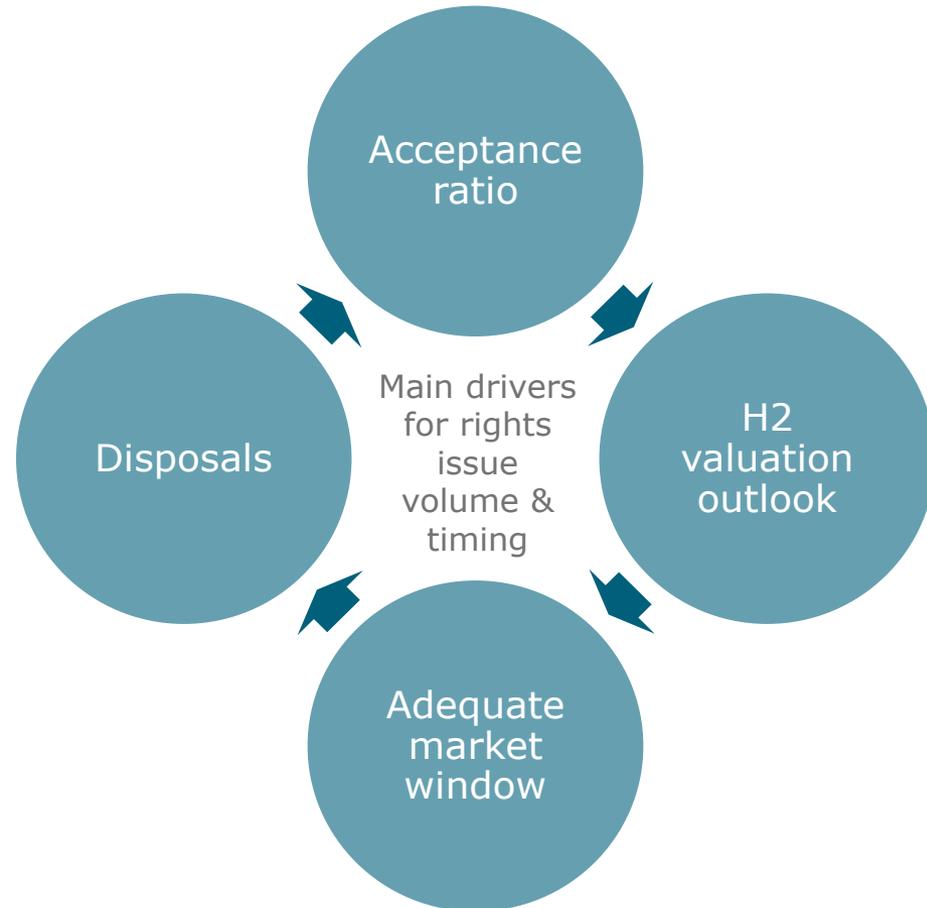
CDU/CSU	SPD	The Greens	FDP (Liberals)	The Left
<ul style="list-style-type: none"> <li>• Climate neutrality until 2045</li> <li>• Tax incentives for modernization investments</li> <li>• Strengthen landlord-to-tenant electricity models</li> <li>• Support innovative research including electrolyzers, fuel cells, hydrogen technology, photovoltaics, and innovation centers</li> </ul>	<ul style="list-style-type: none"> <li>• Climate neutrality no later than 2045</li> <li>• Subsidies for modernization investments and urban quarter developments</li> <li>• Achieve CO<sub>2</sub> neutrality in the real estate sector</li> <li>• Use CO<sub>2</sub> tax to incentivize energy-efficient modernizations among home owners</li> <li>• Support landlord-to-tenant electricity models</li> <li>• Expand renewable energy and increase energy efficiency</li> <li>• Make Germany the leader in hydrogen technology</li> <li>• Support innovative forms of renewable energy generation</li> </ul>	<ul style="list-style-type: none"> <li>• 100% renewable energy by 2035</li> <li>• Increase modernization rate</li> <li>• Reduce modernization allowance (€1.50/sqm)</li> <li>• Refurbishments to be neutral to warm rents via "1/3 model" with equal burden sharing between tenant, landlord and tax payer</li> <li>• Subsidy programs and tax incentives for owners</li> <li>• Distribution along energy efficiency classes</li> <li>• Increase CO<sub>2</sub> tax to €60 by 2023 (instead of 2025)</li> <li>• Simplify and support landlord-to-tenant electricity models</li> <li>• Include Paris Climate Agreement Targets in Germany's Basic law</li> </ul>	<ul style="list-style-type: none"> <li>• Deregulation to accelerate energy turnaround</li> <li>• Implement environmental policies free from ideology</li> <li>• Support a lively and innovative start-up culture</li> <li>• Comprehensive reform of energy-related taxes and fees</li> </ul>	<ul style="list-style-type: none"> <li>• Climate neutrality until 2035</li> <li>• Introduce climate protection as a government target in Germany's Basic Law</li> <li>• Increase energy efficient modernization rate by a factor of 3x</li> <li>• Refurbishments to be neutral to warm rents</li> <li>• Support landlord-to-tenant electricity models</li> </ul>

# Rental Regulation

## Differences Even Within Individual Parties

CDU/CSU	SPD	The Greens	FDP (Liberals)	The Left
<ul style="list-style-type: none"><li>• Measures to increase supply instead of additional regulation (sufficient new supply considered to be the best form of tenant protection)</li></ul>	<ul style="list-style-type: none"><li>• Round table for affordable housing with all relevant stakeholders</li><li>• Rent increase in line with inflation</li><li>• Temporary moratorium on rent increases in tight housing markets</li><li>• Continue 10% rent cap on relettings (<i>Mietpreisbremse</i>)</li><li>• Increase look-back period for Mietspiegel to 8 years</li></ul>	<ul style="list-style-type: none"><li>• Limit regular rent increases to 2% p.a.</li><li>• Ensure wide use of qualified Mietspiegel as firm legal basis for rent increases</li><li>• Continue and enforce 10% rent cap on relettings (<i>Mietpreisbremse</i>)</li><li>• Allow for federal legislation to implement rent ceilings</li><li>• Increase look-back period for Mietspiegel to 20 years</li><li>• End "share deal abuse"</li></ul>	<ul style="list-style-type: none"><li>• Abolish the 10% rent cap on relettings (<i>Mietpreisbremse</i>)</li><li>• Expropriation and regulation lead to less supply and are not a solution</li><li>• Increase supply through deregulation</li></ul>	<ul style="list-style-type: none"><li>• Enable rent freeze legislation anywhere in Germany</li><li>• Rent increase moratorium in tight housing markets</li><li>• End "share deal abuse"</li></ul>

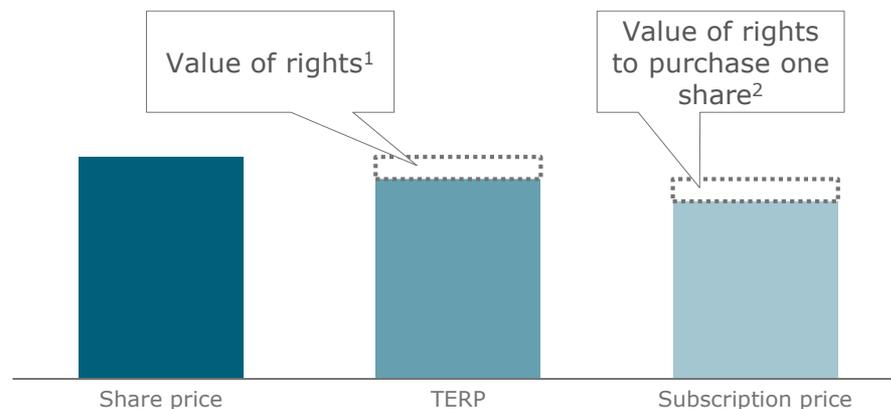
- Vonovia remains committed to a conservative capital structure including an LTV target range of 40%-45%.
- Vonovia considers a rights issue to partly refinance the all-cash transaction with Deutsche Wohnen.
- A capital increase via a rights issue gives existing investors the right (on a pro-rata basis) to buy additional securities in the company at the subscription price thereby allowing them to avoid dilution of their shareholding.



- From a portfolio point of view, the level of discount is irrelevant because the rights issue is a 'zero-sum game' to existing shareholders
- The theoretical ex-right price (TERP) is the weighted average price of old and new shares and the theoretical price at which the shares should trade, once the rights are detached.
- The relation between the share price before the rights issue and the weighted average share price after the rights issue is the TERP factor.
- This factor is used to adjust all per-share numbers prior to the rights issue to adequately reflect the weighted average number of shares.

TERP	$\frac{\begin{aligned} &(\text{current no. of shares} * \text{share price}) \\ &+ \\ &(\text{new no. of shares} * \text{subscription price}) \end{aligned}}{\text{(old no. of shares} + \text{new no. of shares)}}$

The discount to TERP impacts the ratio between value of shares vs. value of rights; but the total value is not affected



<sup>1</sup> Number of rights received per share owned; dependent on subscription ratio

<sup>2</sup> Number of rights needed to purchase one new share depending on subscription ratio

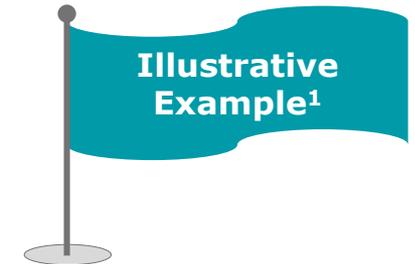
# Value & Earnings Growth from DWNI Transaction

## Material NTA & FFO Accretion at All Acceptance Levels

VONOVIA

Rights issue assumptions for illustrative example:

- €53.00 share price
- Subscription price 20% discount to TERP
- Including rough estimate for H2 valuation
- €2.4bn disposals to City of Berlin



If the target LTV after the rights issue is set at ~45% (upper end of target range) different acceptance levels would result in different rights issue volumes and lead to different levels of NTA and FFO p.s. growth

	50%	60%	70%	80%	90%
<b>Rights issue volume (€bn)</b>	<b>0</b>	<b>2.1</b>	<b>4.2</b>	<b>6.3</b>	<b>8.5</b>
LTV	~45%	~45%	~45%	~45%	~45%
<b>NTA<sup>2</sup> (€/share)</b>	<b>79.44</b>	<b>75.60</b>	<b>72.14</b>	<b>69.13</b>	<b>66.14</b>
NTA (€/share) VNA stand alone H1 2021 (reported)	68.44	68.44	68.44	68.44	68.44
NTA (€/share) VNA stand alone H1 2021 (TERP adj.)	68.44	67.26	66.08	64.90	63.67
<b>Growth</b>	<b>16%</b>	<b>12%</b>	<b>9%</b>	<b>7%</b>	<b>4%</b>
<b>Group FFO (€/share) pro forma (excl. Synergies)</b>	<b>3.57</b>	<b>3.28</b>	<b>3.02</b>	<b>2.79</b>	<b>2.58</b>
Group FFO (€/share) VNA stand-alone 2021E (guidance midpoint)	2.59	2.59	2.59	2.59	2.59
Group FFO (€/share) VNA stand-alone 2021E (TERP-adj.)	2.59	2.55	2.50	2.46	2.41
<b>Growth</b>	<b>38%</b>	<b>29%</b>	<b>21%</b>	<b>14%</b>	<b>7%</b>
Group FFO (€/share) VNA stand-alone 2020A (reported)	2.38	2.38	2.38	2.38	2.38
Group FFO (€/share) VNA stand-alone 2020A (TERP-adj.)	2.38	2.34	2.30	2.26	2.21
<b>Growth</b>	<b>50%</b>	<b>40%</b>	<b>31%</b>	<b>24%</b>	<b>17%</b>

<sup>1</sup> All forward-looking numbers on this page are for illustrative purposes only and neither constitute a guidance nor do they preempt any decision with regards to the potential rights issue. <sup>2</sup> Adding back only 50% of DWNI deferred taxes on investment properties, in line with EPRA BPR (3.2(v)(iii)).

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