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Further Progress towards Disposal Target and Next Step towards Domination Agreement

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Progress towards disposals target

Vonovia signed two transactions for an aggregate volume of ca. EUR 0.8bn to bring the year-to-date disposal volume to more than EUR 2.3bn. Vonovia remains fully committed to deliver €3bn of disposal proceeds this year.

The first transaction is the disposal of 11 development properties for EUR 0.5bn to a new fund set up in August by HIH Invest Real Estate GmbH (HIH Invest) and Vonovia. In addition to the acquisition from Vonovia, the fund also agreed to acquire ca. EUR 150m development assets from Quarterback Immobilien AG to bring the total investment volume to well over EUR 0.6bn.

The purpose of the fund is to acquire and manage development projects in German metropolitan areas. HIH Invest is the majority owner, and Vonovia holds an equity participation of just below EUR 0.2bn. The capital structure also includes long-term funding provided by a leading German bank at attractive terms. HIH Invest will serve as the fund and asset manager while Vonovia will be providing the property management.

This transaction enables Vonovia to accomplish a global exit for ca. EUR 0.5bn development assets at an attractive margin. In addition, the structure allows Vonovia to deploy its efficient operating platform to assets away from its own balance sheet and generate attractive returns outside the core rental business. Vonovia will also participate in the fund's profit distribution as well as in the value creation when the assets are sold after the targeted holding period of 10 years.

The first closing of the transaction is expected at the end of 2024.

The second transaction is the disposal of 27 nursing homes incl. the operating business for an agreed price of more than EUR 0.3bn, in line with the fair value as of June 30, 2024. Closing of the transaction is expected at the end of 2024.

Subsequent to the disposal of EUR 100m nursing assets in Q1 2024, this is the second sale from the nursing portfolio. Following this transaction, the remaining nursing home portfolio has a fair value of less than EUR 0.6bn. More than half of this amount has been accounted for under discontinued operations since YE2023.

Progress towards domination agreement

On September 18, 2024, Vonovia and Deutsche Wohnen announced the initiation of the process to conclude a domination and profit and loss transfer agreement (DPLTA).

The DPLTA will give minority shareholders of Deutsche Wohnen two options:

- (i) exchange their Deutsche Wohnen shares into Vonovia shares at a certain ratio; or
- (ii) remain a shareholder of Deutsche Wohnen and receive a fixed annual compensation payment for the duration of the DPLTA.

The exchange ratio and the fixed annual compensation still have to be agreed between Vonovia and Deutsche Wohnen and will be made in accordance with legal requirements.

As a next step in preparing for a domination agreement, Vonovia has now set up a holding company, which will hold ca. 20% of Deutsche Wohnen's share capital. Vonovia has agreed to sell 51% of this holding company for just over EUR 1bn to an entity advised by Apollo and funded by affiliated and third-party insurance

clients and long-term investors of Apollo (“Apollo”). The Deutsche Wohnen shares held by the holding company will be subject to a lock-up agreement.

Like all other Deutsche Wohnen minorities, the holding company will receive the fixed annual compensation payment for the duration of the DPLTA, in which Apollo will participate. The annual impact on the minority line item in Vonovia’s Operating Free Cash Flow is estimated to be inside of EUR 70m.

The transaction is subject to various conditions and approvals, including the approval of the DPLTA by both Vonovia’s and Deutsche Wohnen’s shareholders and regulatory clearance. Vonovia expects the EGMs of Vonovia and Deutsche Wohnen to vote on the conclusion of the DPLTA in January 2025.