

The logo for VONOVIA, featuring the word in a white, bold, sans-serif font against a dark blue background. The background of the entire slide is a photograph of a modern, multi-story apartment building with balconies, partially obscured by lush green trees and foliage. The image has a blue-green color overlay.

VONOVIA

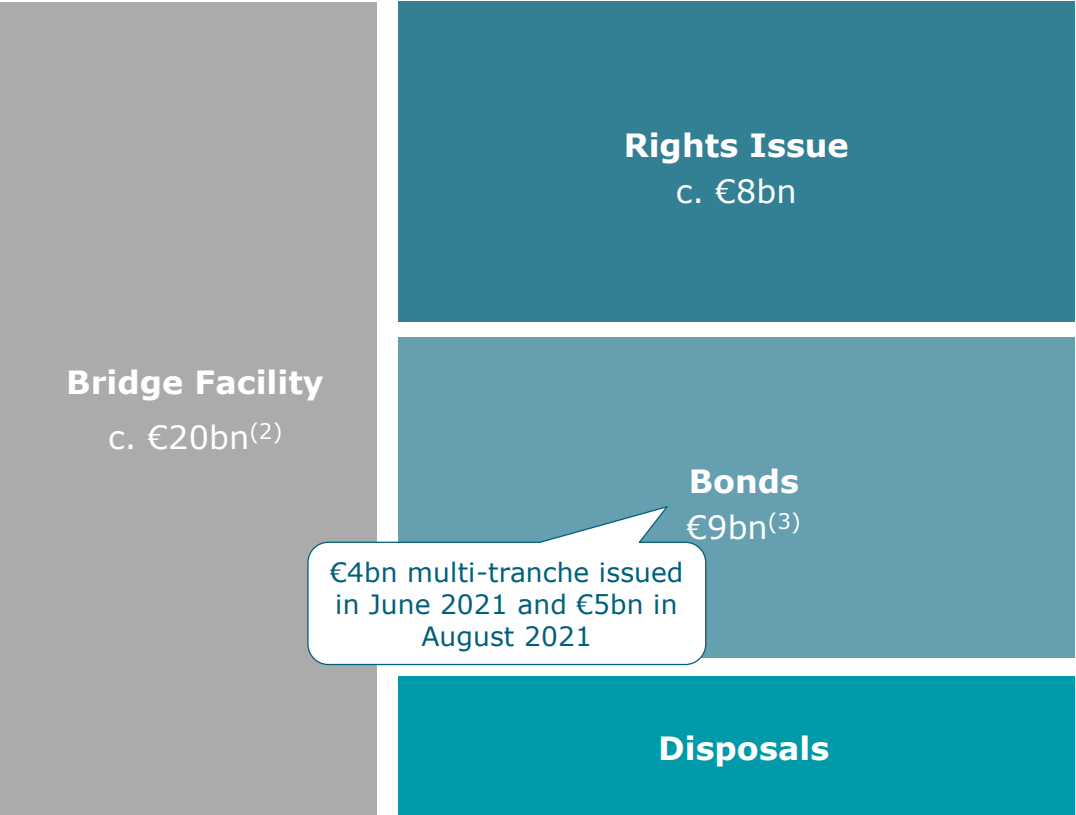
Rights Issue as a Shareholder Friendly and Standard Approach for European Issuers to Raise Equity

November 2021

Contemplated Rights Issue as Take-out of Bridge Financing in the Context of the Deutsche Wohnen Acquisition

Financing Strategy for the Acquisition of Deutsche Wohnen

€28bn⁽¹⁾ acquisition consideration partly funded with bridge facility



Rights Issue Considerations

- Deutsche Wohnen transaction accretive for shareholders based on **well balanced financing mix and significant expected EBITDA synergies of €105m p.a.** to be achieved by the end of 2024
- **Rights issue of c. €8bn marks the final chapter of the Deutsche Wohnen acquisition process** with volume primarily driven by the high acceptance rate of the tender offer as well as commitment to the LTV target range of 40-45%
- A rights issue represents a highly **shareholder friendly transaction** and is a **standard approach for European issuers to raise equity** in an acquisition context
- In a rights issue shareholders receive tradeable rights **providing protection from economic dilution and full control over voting rights dilution** through subscription or sale of rights
- Discounted rights issue with subscription rights are **value neutral for existing shareholders** as the value of the right compensates for "apparent" economic dilution associated with the discount

Well balanced acquisition financing mix within LTV target underpinned by stable credit rating

(1) For acquired shares (including via convertibles) based on 87.6% acceptance rate and in-place debt; (2) Bridge facility secured prior to announcement of public tender offer; (3) Proceeds mainly designated for financing of Deutsche Wohnen transaction

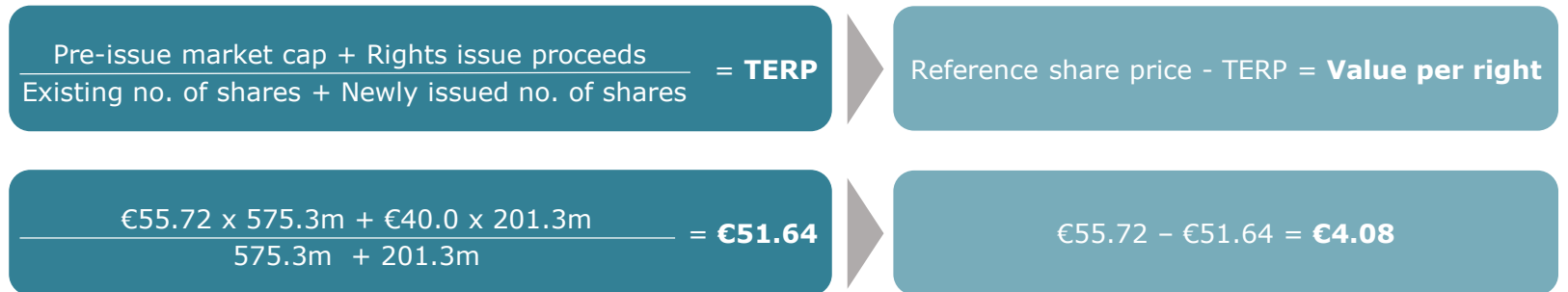
Overview of Rights Issue Mechanics

- **Shares are issued at a discount** to the prevailing market price to existing shareholders by way of subscription rights on a pro-rata basis
- On the opening of the subscription period the shares go “ex-rights” meaning that a **right is detached from each share and traded separately**
- At issuance shares will trade at the Theoretical Ex-Rights Price (“**TERP**”) defined as the weighted average price of the shares outstanding prior to the discounted rights issue and the new shares issued at the subscription price calculated as follows:

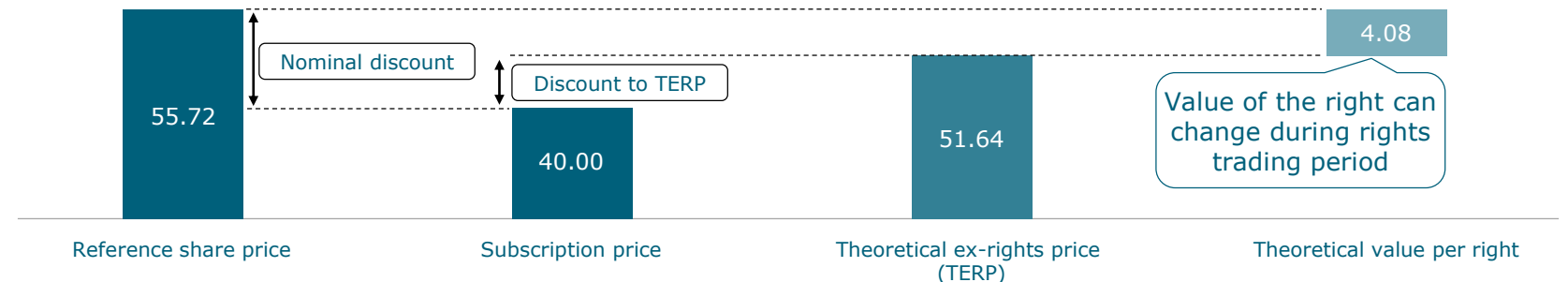
Pricing and calculations (based on last price pre-launch)⁽¹⁾

Reference share price⁽¹⁾ (€)	55.72
Rights ratio (new shares for old shares)	7 for 20
New shares issued (million)	201.3
Subscription price per new share (€)	40.00
Nominal discount versus last share price	28.2%
Size of rights issue (€ million)	8,054
TERP (€) (based on reference share price)	51.64
Discount of subscription price to TERP	22.5%

Calculating the TERP



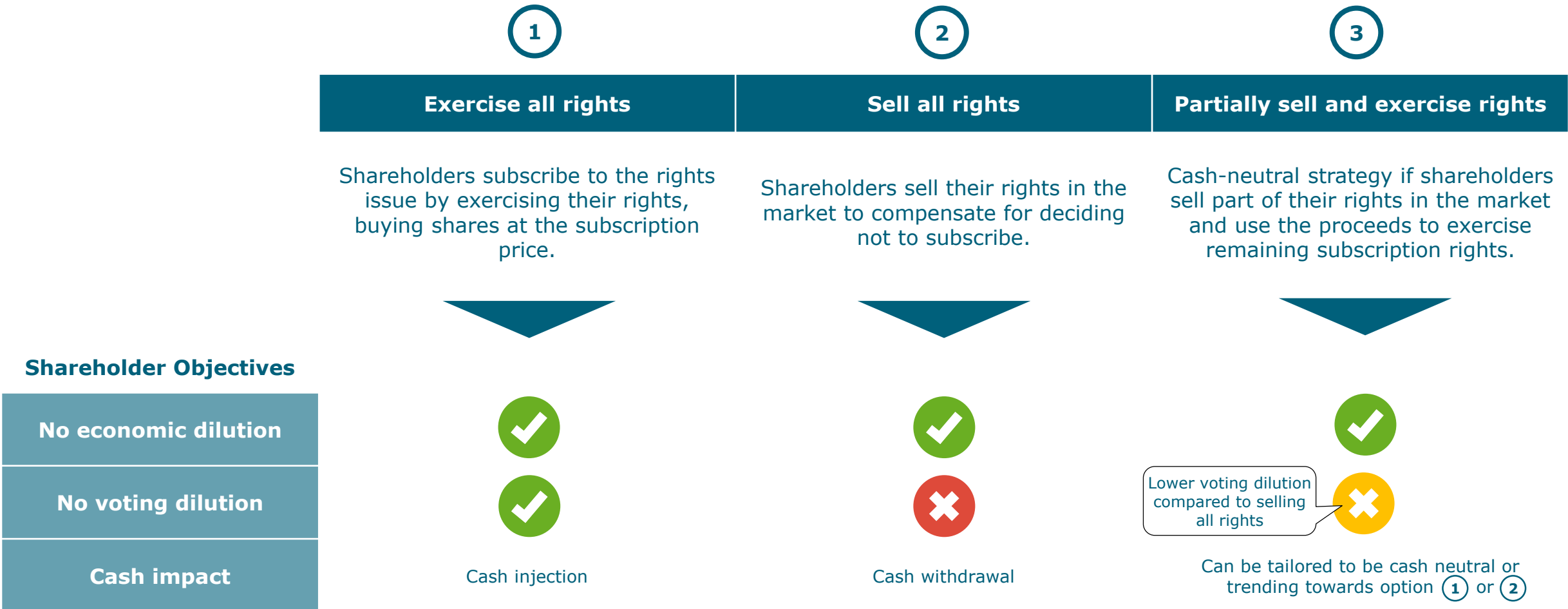
Value per share



(1) Closing share price of Vonovia as of 19-Nov-2021

All Rights Strategies Are Value Neutral¹

Optionality around Subscription Rights



All options are value neutral for existing shareholders

Note: Subscription rights that are not exercised in time will lapse and be of no value, meaning that no compensation will be payable for subscription rights that are not exercised. (1) On a pre-tax basis.

Discounted Rights Issue Requires Restatement of Historical FFO per share

- **Cash neutral strategy** shows that a discounted rights issue can be viewed as a combination of an **issue at full price** and a **bonus issue** of shares:
 - **Fair value element:** number of shares deemed to be issued at fair value (rights issue proceeds divided by TERP)
 - **Bonus element:** number of shares a shareholder can buy for free following a cash neutral strategy (number of new shares less fair value element)
- According to IAS 33, **earnings per share (EPS) of prior periods shall be restated** for the bonus element (restatement of funds from operations (FFO) per share follows the same logic)

Purely illustrative example

FFO (pre acquisition)	€1,000m
FFO (post acquisition)	€1,600m
Share price pre rights issue	€100
Shares out pre rights issue	300m
Subscription price	€70
TERP	€90
Discount to TERP	22.5%
No. of new shares issued	+143m
Bonus element	+32m
Proceeds	€10,000m

FFO per share pre rights issue

$$= \frac{\text{FFO (pre acquisition)}}{\text{No. of shares pre rights issue}} = \frac{€1,000\text{m}}{300\text{m}} = €3.33$$

FFO per share pre rights issue restated for bonus element⁽¹⁾

$$= \frac{\text{FFO (pre acquisition)}}{\text{No. of shares pre rights issue} + \text{bonus element}} = \frac{€1,000\text{m}}{300\text{m} + 32\text{m}} = €3.01$$

FFO per share post discounted rights issue

$$= \frac{\text{FFO (post acquisition)}}{\text{No. of shares pre rights issue} + \text{No. of new shares issued}} = \frac{€1,600\text{m}}{300\text{m} + 150\text{m}} = €3.61$$

FFO per share accretion

+20%

ILLUSTRATIVE EXAMPLE

Bonus element needs to be considered for calculation of restated FFO per share pre rights issue

(1) Division of historical FFO per share by a multiplication factor (share price pre rights issue divided by TERP) presents an alternative approach for adjustment of historical FFO per share

Impact of Different Discounts Levels on FFO per share

ILLUSTRATIVE
EXAMPLE











	Rights Issue with no discount	Rights Issue with low discount	Rights Issue with high discount
Discount to TERP	0% (+100m shares at €100)	22.5% (+143m shares at €70)	40% (+214m shares at €47)
Proceeds fixed at €10bn			
Restated FFO per share pre rights issue	$\frac{€1,000m}{300m \text{ shares}} = €3.33$	$\frac{€1,000m}{300m \text{ shares} + 32m \text{ shares}} = €3.01$	$\frac{€1,000m}{300m \text{ shares} + 86m \text{ shares}} = €2.59$
FFO per share post rights issue ⁽¹⁾	$\frac{€1,600m}{400m \text{ shares}} = €4.00$	$\frac{€1,600m}{443m \text{ shares}} = €3.61$	$\frac{€1,600m}{514m \text{ shares}} = €3.11$
FFO per share accretion	+20%	+20%	+20%

Bonus element increases with level of discount but discount is neutral to FFO per share accretion

(1) Including FFO from acquisition

European Discounted Rights Issue Precedents

Largest M&A Related Rights Issues since 2015

#	Date	Company	Sector	Size (€ MM)	Discount to TERP	Take-up
1	26-Jul-17	 Santander	Finance	7,072	-17.8%	99.3%
2	21-Apr-21	 Cellnex	Telecommunications	7,000	-17.0%	99.4%
3	20-Jun-18	 Bayer	Healthcare	6,043	-20.3%	98.3%
4	23-Mar-21	 Tryg	Insurance	4,978	-28.1%	99.7%
5	13-Aug-20	 Cellnex	Telecommunications	4,000	-25.1%	99.5%
6	7-Oct-16	 Air Liquide	Chemicals	3,283	-17.9%	93.4%
7	10-Dec-20	 Aveva Group	Computers & Electronics	3,131	-32.4%	99.1%
8	6-Oct-21	 Veolia Environnement	Utility & Energy	2,506	-18.9%	96.2%
9	31-Oct-19	 Cellnex	Telecommunications	2,500	-19.6%	99.5%
10	1-Jul-15	 Deutsche Annington (Vonovia)	Real Estate	2,248	-20.2%	98.1%

Shareholder friendly and standard approach for European issuers to raise equity

Source: Dealogic as of November 2021

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