Capital Markets Day

Management Presentation

September 28, 2023

Then and Now

A look back on our 2022 CMD…

Our Conclusion

We Are Aware of the Equity Capital Market's Concerns; But We Have Conviction on What (Not) to Do

What not to do

- Be pressured into taking action for the sake of taking action
- Define timelines for disposals
- Manage the current share price
- Optimize for the *fastest* outcome
- Force a larger disposal just to set *a* trigger

What to do

- Keep eyes on the market but act from position of strength
- Keep flexibility to achieve the best outcome
- Manage the business
- Optimize for the *best* outcome
- Set the *right* trigger by trying to sell
  - ✓ the right assets
  - ✓ to the right buyer/partner
  - ✓ at the right time
  - ✓ out of the right legal entity and
  - ✓ in the right structure

- We are firmly convinced it is in the best interest of our shareholders if we optimize for the best result, not the fastest trigger.
- Acting under pressure carries the material risk of true value destruction and will lead to self-fulfilling prophecies.
- If we give in to the pressure that the equity market suggests, we are playing into the hands of potential buyers who are looking to make a quick profit.

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The 2022 CMD Capital Markets Day was about our view of the changed environment ca. 6 months into the crisis. Our main conclusion was that while adjustments are clearly necessary, panic action and rash decisions are uncalled for.

…and where we stand 12 months later

Operating business

- Rock-solid operating business.
- Continuously improving rental market fundamentals.
- Megatrends of supply/demand imbalance and climate change are more dominant than ever.

Valuation

- 11% value decline from 06/22 peak – material, but also proof that values change gradually and do not fall off a cliff.

Financing & liquidity

- Access to liquidity proven.
- Financial maturities managed with almost 18 months lead time.

Disposals

- Identified wide range of disposal targets.
- Defined and reached €2bn sales target for 2023; disposal efforts remain top priority to bring leverage back into target zone.

The different macro environment clearly has affected Vonovia. The actions we have taken so far have helped mitigate the impact, but debt KPIs remain outside our target range, and further action is required.

Where to from Here?

Fundamental discrepancy between near and longer term outlook…

Near-term visibility still limited and macro headwinds continue

Value trough?

Interest rate peak?

Interest rate outlook?

Longer term fundamentals are increasingly supportive

Accelerating rent growth.

Housing shortage.

Supportive megatrends.

…influences near-term actions vs. longer-term consequences

Adequately addressing near-term challenges

Targeted disposals.

Capital allocation.

Deleveraging.

Avoiding negative impacts on longer-term future

Platform & scale.

Portfolio quality & ESG goals.

Ability to grow.

Key Priorities for Vonovia

Priority number 1	**Liquidity**	Safeguard secure access to liquidity at all times in light of the capital intensity of the business.
Priority number 2	**Rating & Covenants**	Maintain our good investment grade rating and sufficient headroom on bond covenants.
Priority number 3	**Growth**	Benefit from accelerating market rent growth and develop additional income streams beyond rental payments.

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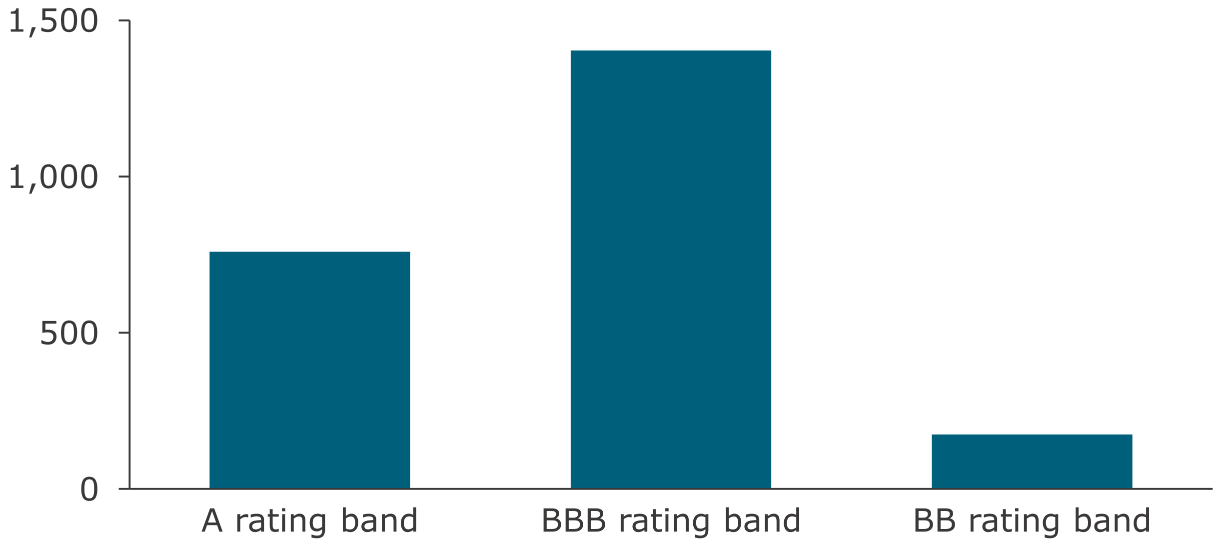
Liquidity

- Year-to-date financing activities underline unfettered access to bank financing at comparatively attractive terms:
  - €0.8bn secured bank loans rolled over
  - €1.4bn new secured and unsecured loans signed
  - €0.9bn new bank loans in advanced negotiations
- All financial maturities covered until 12/24
- €3bn RCF extended until 2026.
- Funding costs are high but market is open to Vonovia.
- Ca. 80-100 bps higher spread observed for Vonovia since spring 2022 compared to BBB+ issuers from other sectors is not expected to be sustainable.

- Good investment grade rating safeguards access to debt capital markets.
- BBB rating band provides deepest pool of capital.

Outstanding Euro-denominated bond volume (€bn)[1]



[1] Source: Bond Radar (July 2023).

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Rating & Covenants

- Risk to good investment grade rating and compliance with bond covenants largely depends on valuation outlook.
- Following 11% value decline recorded in our portfolio since 06/2022 peak values, there remain 25% headroom on the basis of 06/2023 values (excluding any positive impact from further rent growth and delevering from disposals).
- **Key question: how material is the risk that residential property values will fall anywhere near 25% from here?**

- Too early for H2 valuation guidance.
- Final timing and level of value trough remain unclear for now. But:
  - Evident that residential property values change only gradually and are insulated from steep, short term changes – values do not fall off a cliff.
  - Deceleration of value decline from Q1 to Q2 2023
  - Increasing signs of market stabilization; transaction market still challenging but showing signs of improvement.
  - Bundesbank: for 90% of all German cities, survey respondents expect further price correction of <10%. For ca. three quarters of all cities the estimate was <5%. Bundesbank concludes, "the adjustment of potential overvaluations will occur largely without drastic price corrections," which is also due to the anticipated rental growth.

Source: Monthly Report August 2023.

The Most Sensible Course of Action Remains Unchanged for Us

Committed to debt KPIs	We continue carefully to monitor and manage all relevant debt KPIs with an unwavering commitment to bring them back towards the lower end of the respective target ranges in the short-term.
Laser-focused on disposals	We remain laser focused on all of our disposal efforts to generate the cash in time to delever.
Sufficient headroom	We have sufficient headroom to act from a position of strength.
No drastic measures	We are not forced to take drastic measures that would be detrimental to the long-term nature of our business and/or destroy long-term shareholder value.

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Rent & Inflation

- No direct connection between inflation & rent growth but historic data shows strong correlation & similar growth rates over time.
- When inflation shows meaningful acceleration, rent growth cannot keep up initially due to regulatory constraints that delay implementation but rents are expected to grow faster and for longer once inflationary pressure has subsided.

Inflation & rent growth (Germany)

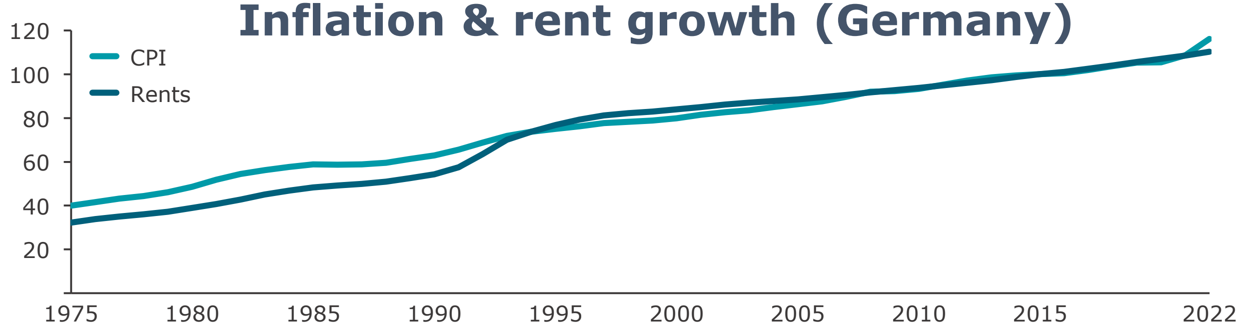
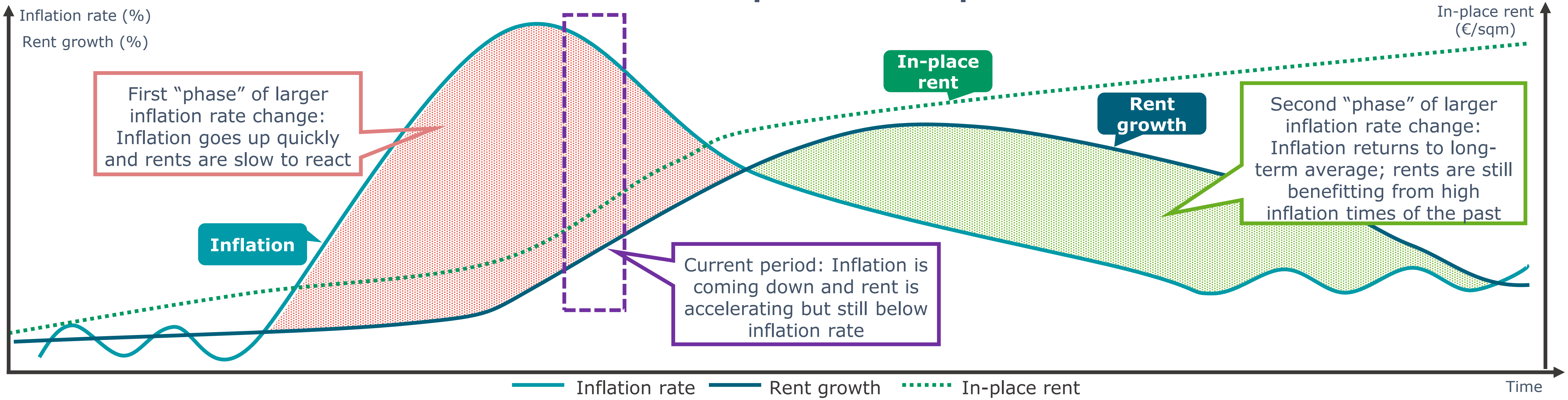


Illustration of expected development



Source: OECD (2015 = 100)

Vonovia’s Growth Drivers

Carefully navigating through the crisis and returning debt KPIs back into the target ranges remains the top priority for now but it is not a long-term growth strategy.

Vonovia is uniquely positioned as the best-in-class operator and sustainability leader in a structurally undersupplied asset class.

Customer & employee satisfaction

1. Best-in-class operating platform
2. Robust capital structure and competitive cost of capital
3. Investment program addresses megatrends
4. Additional earnings and value creation
5. Development platform able to generate much-needed product
6. Efficient capital allocation

VONOVIA

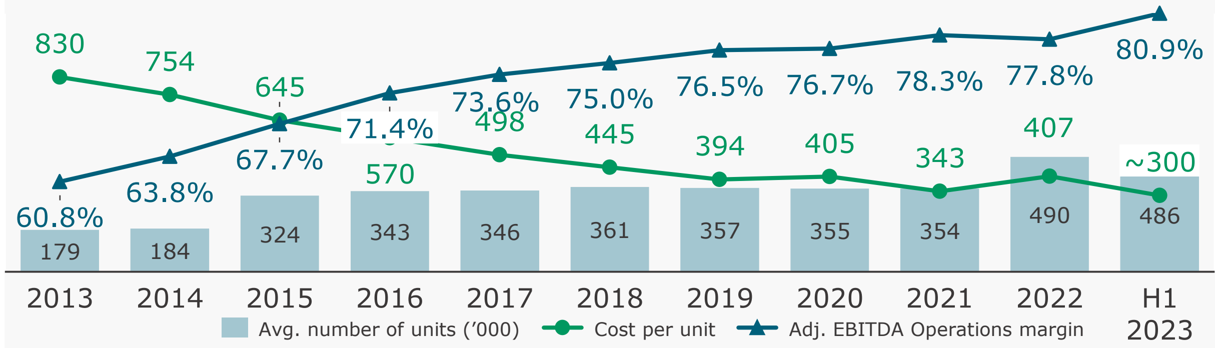
Sustainability

1. Best-in-class Operating Platform

Operating platform based on one integrated SAP system

	Asset Management	Property Management
Local	**Operations**	
Local	Stakeholder management	Letting
Local	Urban Quarters	Rental operations
Local	Operational portfolio development	Technical service
Local	Reletting (pricing)	Facility management
	Portfolio Management	**Customer Service**
Central	Strategic portfolio development	24/7 customer service
Central	Rental management	Tenant change process
Central	Investment program	Ancillary costs
Central	Climate path	Accounts payable
Central	Central projects	Accounts receivable

Scale and efficiency gains in Germany[1]



- Main drivers in the past have been scale, standardization, centralization & digitalization.
- Recently, the Vonovia app, self-services, and automation have been driving efficiency.
- The next big step will be artificial intelligence to further boost efficiency in our mass processes.

Past	Current	Future
Digital data	App / self-service	AI
Digital processes	Standardization	
Centralization	Automation	

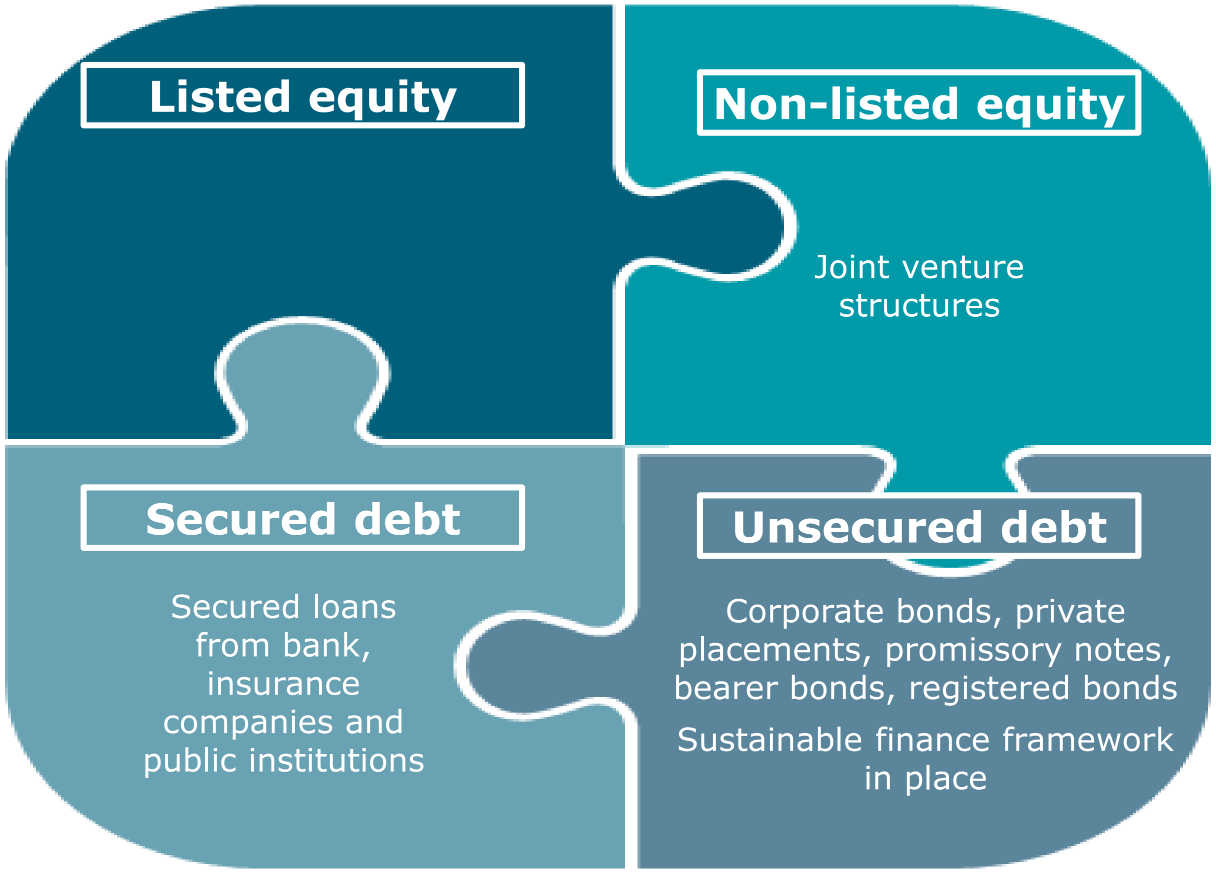
[1] Adj. EBITDA Operations margin (Adj. EBITDA Rental + Adj. EBITDA Value-add – intragroup profits) / Rental revenue. Margin 2019 and beyond includes positive impact from IFRS 16. Cost per unit is defined as (Rental revenue – EBITDA Operations + Maintenance) / average no. of units. 2022 incl. Deutsche Wohnen. H1 2023 CPU annualized.

2. Robust Capital Structure and Competitive Cost of Capital

Capital Structure Policy

- Capital Structure Policy centered around three debt KPIs to safeguard good investment grade rating for unfettered access to debt capital markets:
  - **LTV** within a range of 40-45%
  - **Net debt / EBITDA** within a range of 14-15x
  - **ICR** of at least 3.5x
- Additional elements on which we focus:
  - ≥95% of debt fixed or hedged.
  - Opportunistic forward hedging to partly secure interest rate level and minimize future risks.
  - Average maturity profile of around 7 years, congruent with the 6-year look-back period of the German Mietspiegel system, as the inflation rate is a main driver for interest rates is expected to continue to closely correlate with rental growth over time.
  - Smooth maturity profile to avoid cluster risk.

We have created flexibility for both equity and debt



3. Investment Program Addresses Megatrends

Support form megatrends while other RE sectors fight disruptive changes

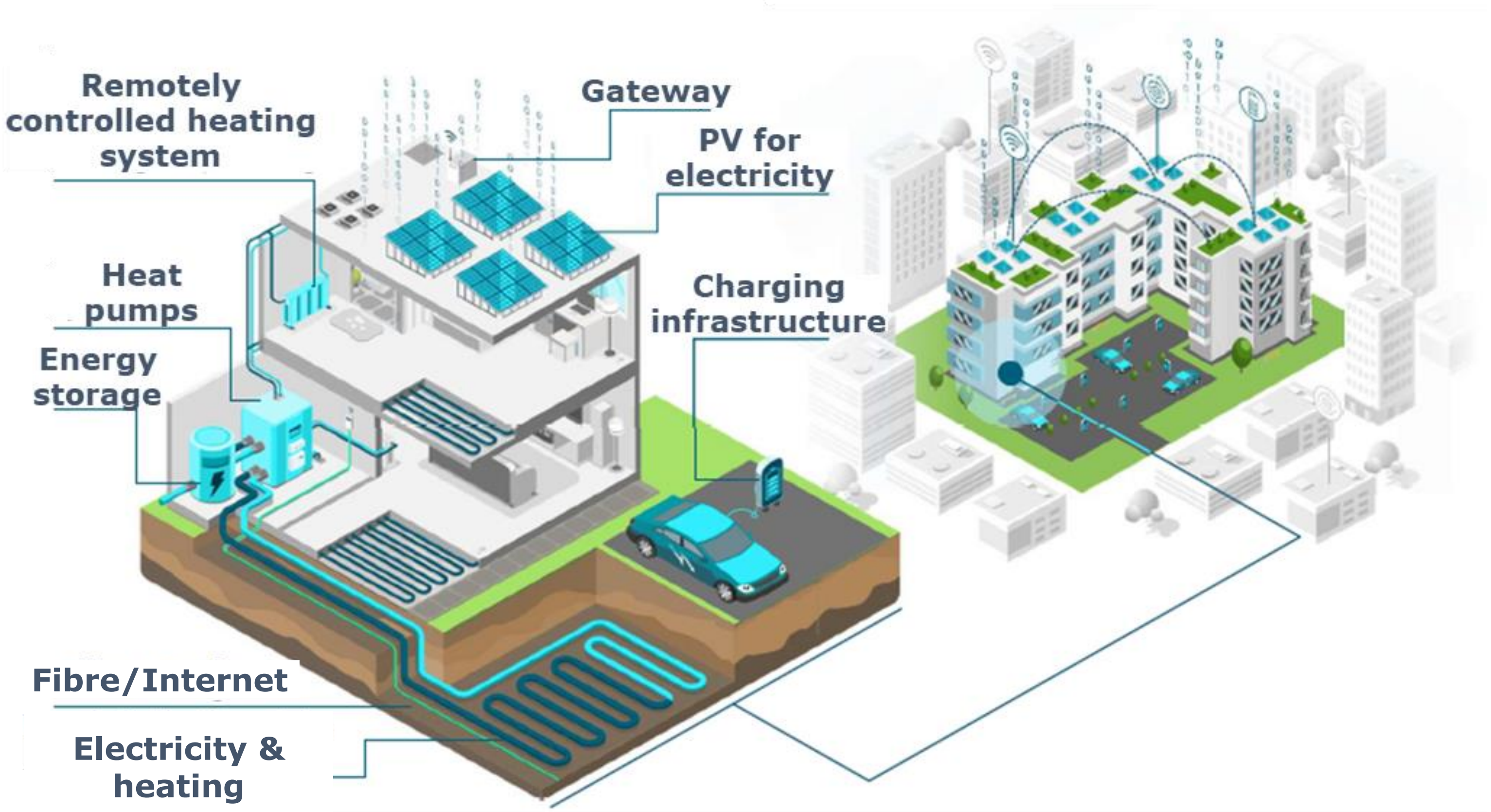
Supply-/ Demand Imbalance	€100bn investment volume every year to complete 400k apartments per year.[1]	**Space creation**
Climate Change	Up to €120bn investment volume every year to decarbonize Germany's housing stock.[2]	**Upgrade Building**
Demographic Change	Shortage of 2 million apartments suitable for elderly people.[3]	**Optimize Apartment**

- A decaying construction industry and an ever-growing supply/demand gap are not a sustainable situation. Required investment volumes are much too high to be delivered by government or through subsidies.
- Any meaningful investment volume will require an investment and regulatory environment that is sufficiently attractive for private funding.

[1] Assuming 60sqm and €4,000 construction costs to achieve 400,000 apartments..[2] GdW (Association of German Housing Companies. [3] IW rman Economic Institute).

4. Additional Earnings and Value Creation

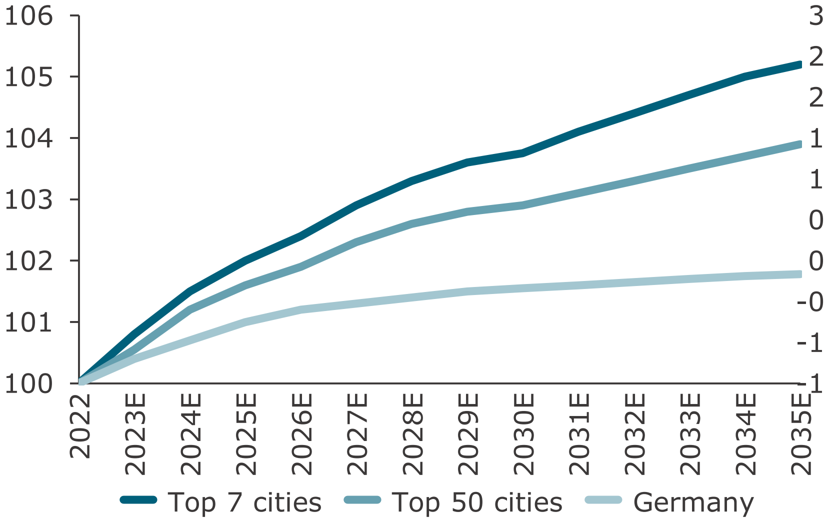
- Additional income from generating stable cash flows beyond rental payments.
- Integrated system of residential infrastructure services with a focus on
    - Photovoltaics
    - Heating
    - Submetering
    - IoT monitoring
    - EV charging infrastructure
    - High-speed internet (fibre)



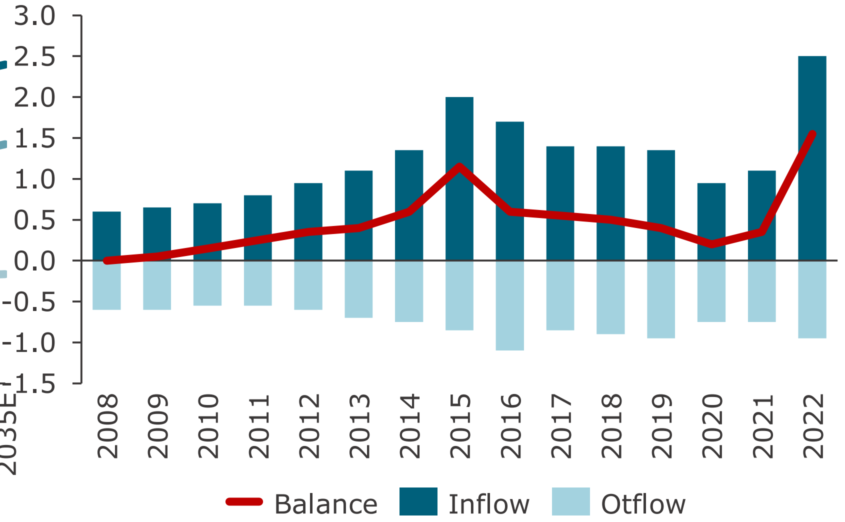
5. Development Platform Able to Generate Much-needed Product

- Germany's population is expected to grow by 5m to more than 88m until 2050.[1]
- The undersupply in the German residential market is becoming increasingly unsustainable and at some point conditions for new construction will have to improve.
- In an environment more conducive to development activities, our superior balance sheet capacity and access to financing result in a compelling strategic rationale and competitive advantage to maintain the ability to build new apartments. This is even more important at a time when many other providers are disappearing.

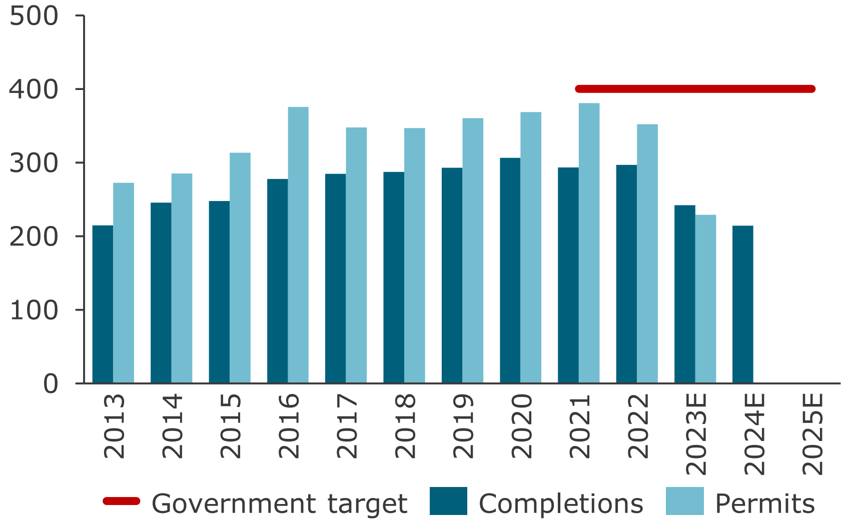
Household formation[2]



Migration (million)[2]



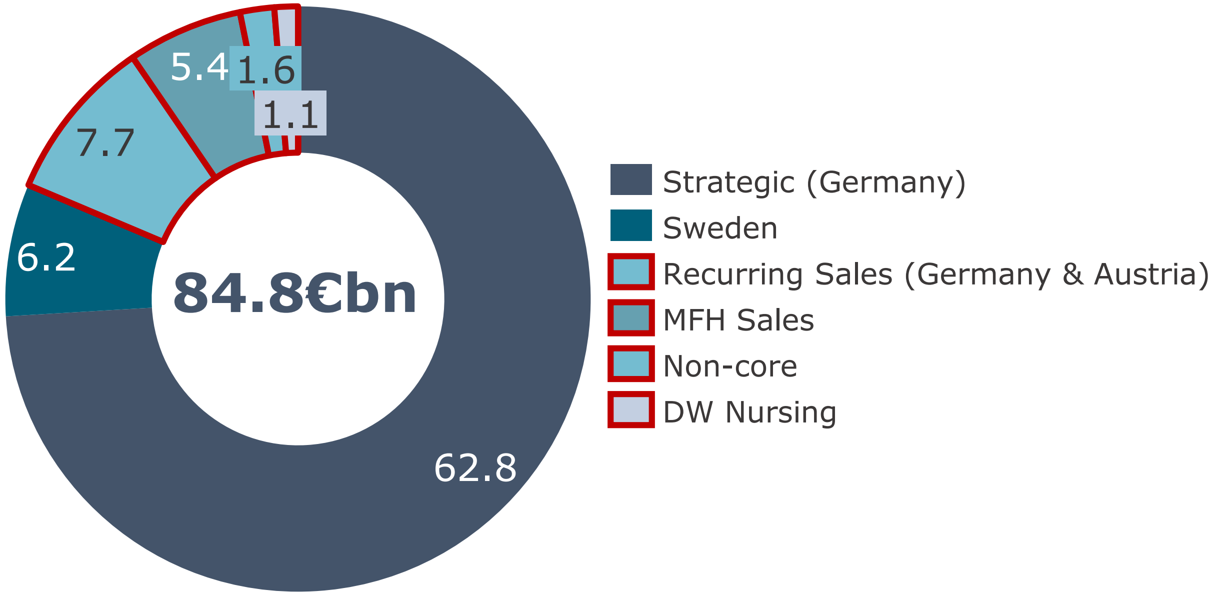
New construction volume ('000)[2]



[1] Federal Statistics Office (scenario based on increased migration). [2] Colliers.

6. Efficient Capital Allocation

- Clearly defined disposal program.
- Joint venture structures and asset disposals to municipalities from core portfolio.

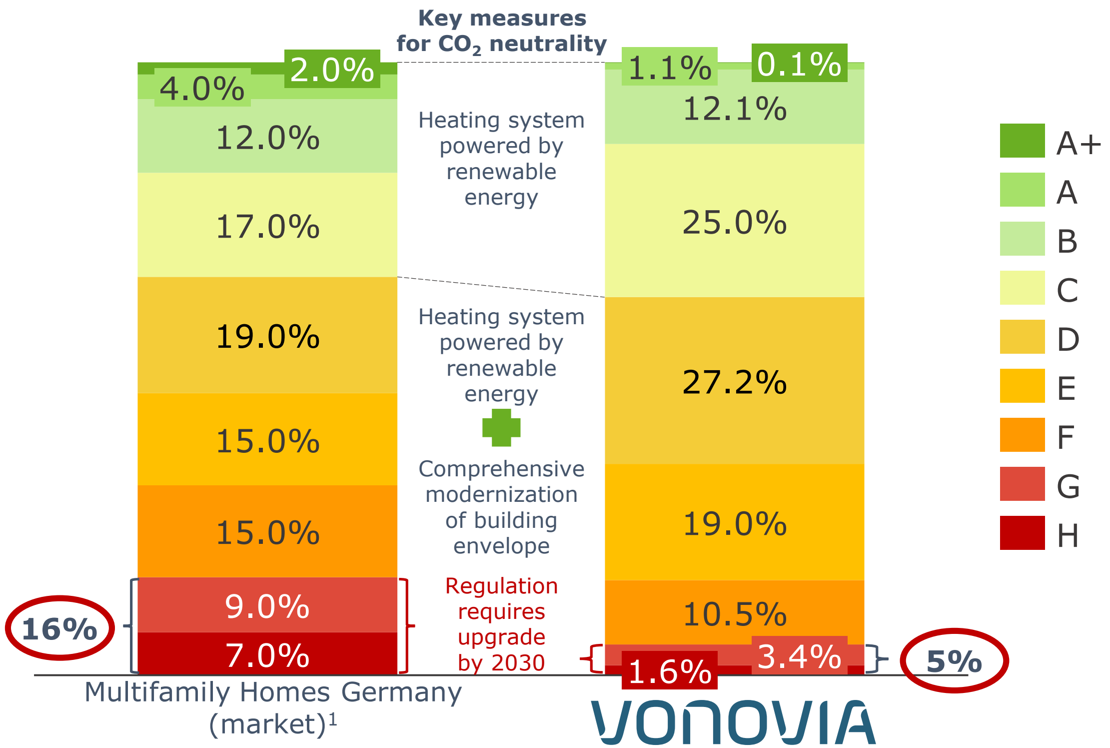


- Strong volume reduction in 2023 to comply with capital discipline targets and to send clear signal internally and externally.
- **Increased hurdle rates** for investments to safeguard most economic capital allocation and continued capital discipline.
- **New development** projects put on hold for now.
- **Optimize Apartment** investments with >10% NIY
- **Upgrade building** investments are being redesigned to approximate 8% NIY; focus on higher yielding investments such as heat pumps for the near future.

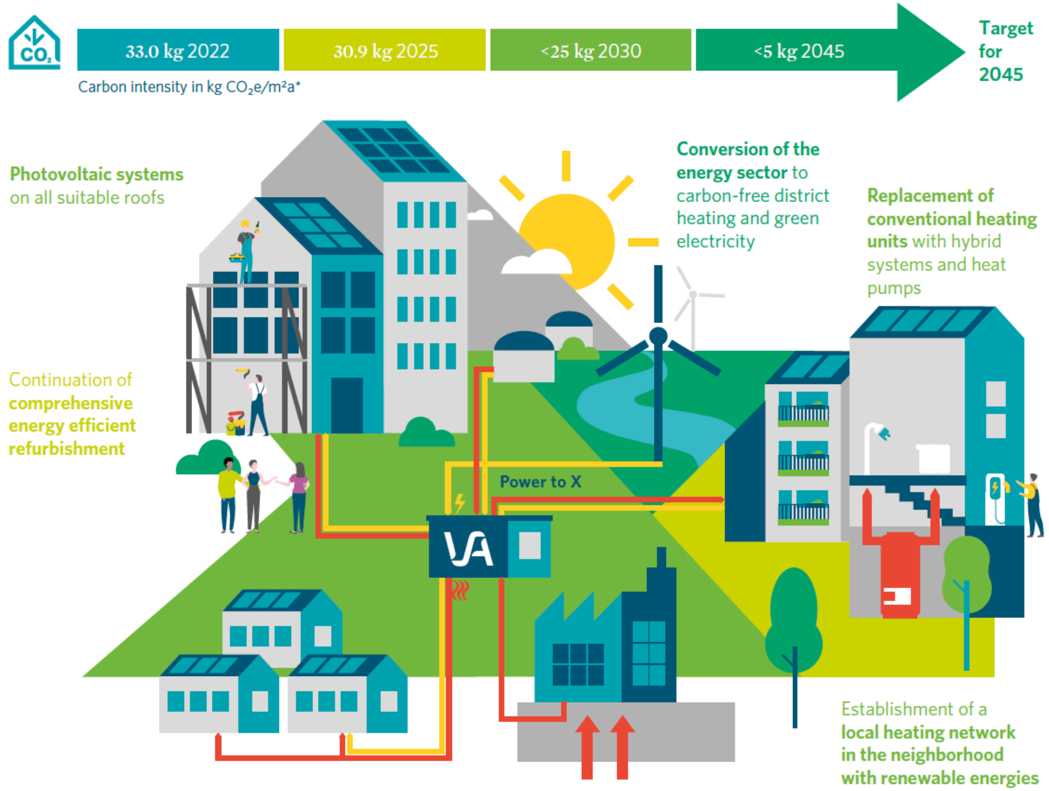
Sustainability

Key Differentiator of the Future

Vonovia is ahead of the market as a result of comprehensive investments since the IPO…



… as well as a science-based strategy and a dedicated commitment to become nearly CO_2 neutral until 2045.



[1] Agora Energiewende (2023): "Die Energiewende in Deutschland: Stand der Dinge 2022. Rückblick auf die wesentlichen Entwicklungen sowie Ausblick auf 2023." Data based on EPCs. * Includes scopes 1 & 2 as well as scope 3.3 "Fuel- and energy-related activities upstream;" referring to German building stock (incl. Deutsche Wohnen). Development of energy sector according to Scenario Agora Energiewende KNDE 20245; For comparison: CRREM pathway MFH 1.5° DE 2045=5.4kg CO2e/sqm per year (07/2021); Climate pathway development supported by Fraunhofer ISE. Per-sqm values based on rental area, not total floor space. Data refers to year end.

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