Deutsche Wohnen SE

Shareholder loan to Vonovia SE

15 June 2023

Key events leading up to the decision to grant the shareholder loan

Summer 2021

- Deutsche Wohnen and Vonovia agree on the fundamental elements of a takeover of Deutsche Wohnen by Vonovia (“Business Combination Agreement” or “BCA”).
- One of the components of the BCA was that Vonovia had an obligation to refinance the Deutsche Wohnen Group, if required, in the event the financial liabilities (...) were terminated as a result of the closing of the Takeover Offer or otherwise became due for repayment.
- Vonovia took this into account by providing for an additional volume of €6.2 billion for such refinancing purposes in its takeover financing.[2]
- Notwithstanding the financing commitment, Deutsche Wohnen endeavoured to settle liabilities incurred primarily by using its own funds in order not to burden the LTV.
- The proceeds from the sale of the residential real estate portfolio to the State of Berlin were to be used for this purpose.

December 2021

- Due to the stable price performance of the bonds following the takeover bid, only a few creditors exercised their extraordinary termination right. Ultimately, bonds worth only roughly €370 million became due.
- Taking into account cash on hand and repayments to bondholders, this meant that there was €1.45 billion at the Company’s free disposal.

[1] see Offer Document of 23 June 2021; page 62; para. 7.1.4 and Offer Document of 23 August 2021; page 66; para. 7.2.5. [2] For outstanding bonds/notes and convertible bonds

Reasons and the decision to grant the shareholder loan

Objective

- Best possible use of funds, taking into account all relevant parameters: At the time of the decision to grant the loan, it was clear that
  - Deutsche Wohnen would no longer have the same access to debt and equity capital as before the takeover;
  - the funds available would be needed in the foreseeable future for scheduled investments in our portfolio and to repay maturing liabilities.
- For this reason alone, it was not in the Company's interest to use the funds for any other purpose. In addition, other possible uses were also less attractive (see slide 6).

Implement-ation

- Granting a loan to Vonovia was a way of investing the funds not only as a short-term and flexible investment, but also as an investment with at an attractive rate of interest.
  - 2-week termination period ensures availability at all times.
  - Interest rate of 0.6% above relevant 1-month Euribor. Minimum interest rate is 0.6%; current interest rate is around 3.8% (see slide 5).

External confirm-ation

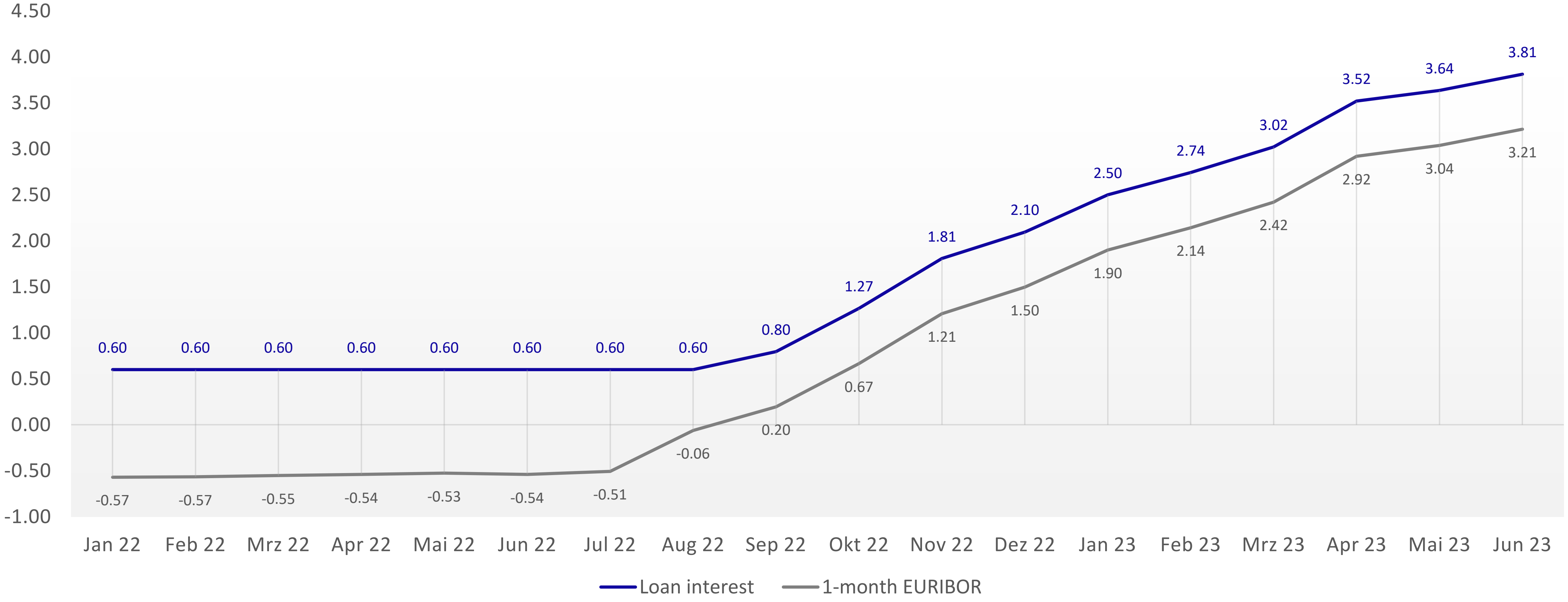
- The appropriateness of the interest rate arrangement was confirmed in advance, and then re-confirmed after 12 months by E&Y following a customary review in line with the OECD Guidelines for Financial Transactions and with general transfer pricing rules.

The shareholder loan

- **Term**: 3 years
- **Agreed loan amount**: maximum €2 billion. The highest amount extended was €1.45 billion.
- **Current outstanding loan amount**: €370 million
- **Interest**: 0.6% + 1-month Euribor (set at a minimum of 0%, resulting in a minimum interest rate of 0.6%). Interest rate is determined on a rolling monthly basis. Current interest rate is thus around 3.8%.
- **Repayment**: Deutsche Wohnen may demand early repayment in whole or in part at any time with 14 calendar days' notice. Vonovia may repay all or part of the loan amount at any time with 14 calendar days' notice.
- **Revolving Loan**: Amounts repaid are available for a subsequent loan request.
- **Termination**: The loan can be terminated without notice by either party if one of the parties fails to meet their fundamental contractual obligations or if there is a material deterioration in the financial situation of one of the parties.
- **Security**: Unsecured loan. Deutsche Wohnen may demand security if there are grounds for termination or if Vonovia breaches its obligations.
- **Information requirements**: (i) Vonovia publishes consolidated financial statements including the auditor's report and management report or condensed interim consolidated financial statements. (ii) Confirmation of compliance with contractually agreed financial covenants[(1)]. (iii) Confirmation of sufficiency of liquidity.
- **Flow of information**: The Management Board of Deutsche Wohnen is included in Vonovia's weekly financial risk reporting and is therefore kept up to date on Vonovia's liquidity.

(1) The definition of financial covenants corresponds to the definition from Vonovia SE's EMTN programme; these are based on the strict US REIT market and are accepted by professional investors worldwide.

Interest on the loan: Deutsche Wohnen was protected against negative interest rates and now benefits from the rising EURIBOR



Alternative use of funds was and still is less attractive

Acquisitions	We analyse all investment opportunities with more than 100 residential units. However, thus far, potential acquisition portfolios have not been attractive in terms of their quality or price, or could not have been managed efficiently. If an attractive investment opportunity had arisen, the loan could have been called in, in whole or in part. The current decline in property values confirms the assessment back at the time that making acquisitions instead of granting the loan would not have been in the Company's best interests.
Nursing business	As communicated at the time, Deutsche Wohnen initiated a strategic review of this business unit in order to examine, without prejudice to the outcome, whether continuing with the health care business was still in the interests of the Company. Further investments in this area while this review was being carried out would have clearly been misguided. The strategic review has since been completed with the conclusion that the nursing segment does not form part of Deutsche Wohnen's core strategic business as a residential real estate company and is now up for sale, in principle.
Share buybacks, special dividends	Due to the increased cost of capital, capital discipline has top priority. This applies all the more to Deutsche Wohnen due to its limited access to new capital since the takeover. A share buyback or a special dividend would have resulted in a cash outflow that would have made necessary investments and loan repayments more difficult or even impossible. This continues to be the case.

DEUTSCHE WOHNEN

Repayments by Vonovia and use of funds

Original loan amount	€1,450 million
Repayments by Vonovia in 2022	€580 million
Repayments by Vonovia in 2023[1]	€500 million
Outstanding volume[1]	€370 million

The loan amounts repaid by Vonovia were used to **repay financial liabilities** or for **investments in the Deutsche Wohnen portfolio**.

In addition to the positive effects on the quality of the buildings and the development of rents, we were also able to follow climate change-related developments. This makes sense both ecologically and economically. The returns achieved as part of energy efficiency retrofits continue to be attractive despite the increased cost of capital and are therefore in the Company's interests.

In addition, it was possible to repay financial liabilities on or ahead of schedule. Thus, the LTV could be kept almost constant despite currently declining property valuations and it was possible to avoid follow-up financing at significantly higher terms and conditions.

[1] As at 15 June 2023

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