

Address given by the Chief Executive Officer, 18,000 characters

Rolf Buch, Vonovia SE,

at the virtual AGM in Bochum on 8 May 2024

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1. Welcome Address

Dear Shareholders,
Members of the Supervisory Board
and Customers,
Ladies and Gentlemen,

I'd like to welcome you all very warmly to this virtual AGM of Vonovia SE.

2. Developments in 2023

2023 was a challenging year. The consequences of Russia's war of aggression could be felt very clearly – in society, in politics and in the economy. We had a high rate of inflation. We had unprecedented hikes in increasing interest rates. This also had a direct impact on our business.

To understand the 2023 financial year, we need to look at the critical juncture in the second half of 2022, when interest rates began to rise extremely fast. We had one main area of concern: How solvent and how robust was Vonovia? We needed viable, sustainable solutions, and we needed them quickly. We had to adjust our strategy and change direction: from growth and profitability to more capital discipline and a secure cash flow.

And we were successful. Thanks to our efficient financial management, we did indeed succeed in stabilising the company. And so I'd like to take this opportunity to express my gratitude to the entire team. We acted quickly, and it was a great achievement. To me, this was one of our most successful years here at Vonovia – considering what we achieved during the crisis.

Our access to outside capital is still as outstanding as it ever has been, and all the prestigious rating agencies have awarded us a high level of creditworthiness. That is worth a lot these days.

All our operations in 2023 were the logical result of the decisions we had taken in 2022. The cash and liquidity we generated amounted to nearly 5 billion euros. From our free cash flow. From our business operations. From our sales and joint ventures. We were able to conclude good contracts, a great achievement – at a time when there were hardly any transactions taking place in our industry. That way, we managed to lower our debt level. All this despite the fact that we had to reduce the value of our property portfolio quite considerably.

In fact, the devaluation meant that our Group lost 6.7 billion euros – a loss that hit the headlines. However, this doesn't say anything about our earnings situation, which was in fact highly positive. The losses that happened were mainly accounting losses on paper, and the same can be said for profits. Right now, we're seeing more robust prices again, and we're moving forward.

We're making money from the Rental business. It is a robust business. In fact, we were able to

increase our earnings, even though we sold certain properties. However, when we focused on reducing debt before profitability in 2022, we knew that this decision would have an impact on our other segments. So, on the Development business. And on the Value-add business. As well as on Recurring Sales. These segments didn't do as well as the Rental segment. But we took this into account, so it was no surprise.

3. The role of Vonovia in society

Vonovia plays an important role in society. We currently have around 550,000 residential units, which makes us the biggest landlord in Europe. The flats we let are affordable, we keep building, we keep upgrading our properties, we take care of our tenants, and we make sure people get on well with each other in our neighbourhoods.

However, we're also aware that the housing shortage has an impact on society. Day by day, we're contacted by hundreds of people – quite often even several thousands, actually – who are desperately looking for a place to live. This creates frustration – on both sides.

A housing shortage always intensifies inequality. It plays into the hands of populist parties, and it stifles the innovative energy of our country.

It's very difficult for young adults to find a home of their own, and this situation threatens our future. My daughter has a university degree. She has a good job, and she's earning her own money. She has found an apartment, after all. But: the landlady didn't want to rent to young workers. The rental agreement had to be signed by us as parents. So I sent my pay check as proof of income to rent the apartment for my daughter. Things just can't stay that way. Our society no longer fulfills a central promise: Those who make an effort, at school, in training, at work, can expect a self-determined life. Obviously, this no longer works. Now you also need parents with a good creditworthiness. This is an unacceptable consequence of the housing shortage.

Things are also difficult for elderly people. There have been several studies which show that Germany has a shortage of at least two million disabled-friendly residential units. In actual fact, the number is probably several times that figure.

So what's the solution? We need to build more homes – urgently. And the German Minister for Housing agrees with me. But I don't understand why the whole government is so half-hearted about this issue.

I'm not concerned about subsidies, but about honesty: we need an enormous amount of money for new builds and upgrades. Estimates for the next 10 years vary between 2.2 and 3.5 trillion euros.

We can't deliver that by ourselves. We can't, as a business, and neither can the government with the state treasury. We need private capital, and in fact there are lots of people who would love to invest in housing. Germany is an attractive country that has received the highest ratings – Triple-A – from prestigious rating agencies. It couldn't be better. We're a stable country, we're a peaceful country, and we're a democratic country. There isn't a better country for bringing up your children.

So these are ideal conditions for anyone wanting to invest. But our politicians must stop scaring off potential investors. When politicians in Berlin demanded more rent controls, I was asked at the investors' conference in the United States whether it still made any sense to invest in Germany. The government needs to change direction. We have to do everything they can to make Germany more investment-friendly again. This doesn't just concern the housing sector. It also applies to investments

in industry, the infrastructure as in innovative start-ups. Obviously, investments need to earn interest. You'd also expect this from your own day-to-day savings or a fixed-term deposit. We need companies that make a profit, because without them, there'd be no tax revenue, and we wouldn't have enough funds for our welfare state.

This country has so many strengths. Yes, we also face lots of challenges, but we can handle them.

4. New construction

We certainly showed last year that we can master the challenges Vonovia is facing.

Since we took over the BUWOG co-operative, we've built close to 14,000 housing units. Last year, the figure was still 2,400.

This year, we will also complete construction projects on a similar scale. We could build a lot more. That would be urgently needed. The latest estimates for Berlin assume an increase of 400,000 people in the next 15 years - that would be more than the population of Bochum, where we are today. But new construction does need to pay off – for your sake as for our sake.

New construction keeps being obstructed by a mixture of rising interest, high construction costs and ever-increasing regulations. In early 2022, it cost us 3,000 euros per square metre to build a multi-unit residential property in Berlin – including 1,000 euros on land development. Right now, it would in all cost us 5,000 euros per square metre. This would only pay off if we charged a rent of 20 euros per square metre. But this would be unaffordable for any of our tenants.

So what's the solution? We could address the construction expenses, the subsidies or the rents. Or we could tackle all three points simultaneously – in other words, we could increase the subsidies, especially for buildings with high energy efficiency, while reducing both construction expenses and government-induced costs. At the same time, we could moderately increase rents where – and I need to emphasise this – tenants can cope with it.

There are also other solutions how we might proceed.

It would be quicker if planning applications and checks could be handled online. Then we could save 80 per cent of our time because there'd be less red tape. Just imagine: a procedure that's taking a whole year at the moment would be over in just two and a half months.

Take, for instance, our idea of construction type approval, which would speed up off-site and modular construction. Once a permit has been granted, that type of building could then be erected in several different places.

Modular timber construction is particularly suitable for off-site construction, due to its high degree of prefabrication. We'd like to obtain the first type approval for residential timber construction in North Rhine Westphalia.

Keyword specifications: No house that has been built in the last ten years would be approved today with the current regulatory burden. I am living in such a house and it's pretty good. That doesn't mean we'd want to abolish all basic regulations, but a bit more realism would be good. There have actually been some good proposals already, and the magic word is "Building Type E". Not so many standards and less bureaucracy equal lower construction costs.

5. Rental

Let's talk about our core business, the Rental segment. We're continuing to be true to our principles and are therefore only moderately raising our rents. Obviously, we'll be doing so in compliance with the latest qualified rental price index, as specified by law. The increases will be substantially below last year's inflation – despite high demand. In Germany, Vonovia tenants are currently paying an average of 7.67 euros per square metre.

Our rental fees are virtually always paid on time. Given a vacancy rate of only 2 per cent – we are almost fully let. This shows that our residential units are affordable, even in urban hubs. Whenever someone is financially overstretched, we work with them to find a good solution. This also applies to the sharp rise in heating costs, which are merely transitory items for us.

We live up to our social responsibilities. This also includes to support elderly tenants who want to live independently for as long as possible, especially when it's about their own accommodation. Over the last few years, therefore, we have upgraded nearly 50,000 flats and made them disabled-friendly.

We've been doing a lot to make sure that our customers enjoy living in our properties, and so last year we once again received good reviews. They are happy with the apartments, with the facilities in their neighbourhoods as with the helpful attitude of our workforce.

We now have a variety of channels by which customers can reach Vonovia. Last year, over 60 per cent of all requests came to us by email – about 500,000. Using our website and app, we gradually want to extend our communication with customers to encourage dynamic conversations about our services. In this way, we understand better and more quickly where things are going wrong, so that we can help better and faster. This will involve Artificial Intelligence just as much as proper conversations.

Out of an overall workforce of 16,000, we have about 3,000 employees who look after the concerns of our tenants. No matter whether it's a leaky tap or a delay in rental payments, our team will find a solution, and we're grateful that we've got such good people working for us.

To make sure we can continue to look after all our customers' needs, we keep training new staff. We currently have about 700 trainees. Among these are many specialising as craftsmen. They always join us in the autumn, at our new state-of-the-art training centre in Berlin, and our trainees are very important for our future.

6. Climate path

But it's not enough for us just to train tomorrow's skilled workers ourselves, and so we also recruit electronic engineers in Colombia – partly because it helps us move ahead with our climate targets. We need to put photovoltaic installations on the roofs. We can only do this if we make use of all the experts we can get, whether they're from Germany or elsewhere.

And we've actually achieved more on our climate roadmap than we had planned. For instance, we've made a lot more progress with solar panels than we had originally anticipated. One important step in the right direction is certainly the latest political decision to allow tenants to start generating and using solar power at the local level, within the same neighbourhood. By 2026, the output on our roofs will have reached 300 megawatts, which is the equivalent of two coal-fired power stations.

We've also made numerous energy upgrades. A properly insulated residential unit requires far less energy to heat, and also saves a lot of money. And we are gradually replacing conventional heating systems with hybrid systems and especially heat pumps.

We are also applying these principles in our new builds. For example, by building 170 residential units in modular timber construction in Berlin, we're saving 5,000 tonnes of CO₂.

Since 2014, we've reduced the carbon intensity of our building stock by 43 per cent. We're among the world's leading companies in climate protection, and we've just recently received SBTi certification. Science Based Targets is an internationally recognised standard. It provides scientific assessments of corporate targets in the reduction of emissions. One of the findings has been that the climate targets of Vonovia match the 1.5-degree target of the Paris Climate Agreement.

97 per cent of our existing stock already fulfils the energy efficiency criteria set by the European Union, and by 2030 this will include all our properties. You're welcome to have a look round outside. Many of our neighbourhoods look super, and we've been setting an example to our competitors.

7. Outlook for 2024

What can we say about 2024? The worst is behind us. We've got good reasons to be confident. We seem to have reached the value trough. The need to stabilize the balance sheet is coming to an end. A return to growth is in sight. Inflation is currently the lowest it has been for two years. Moreover, first base rate cuts, as expected by experts for the second half of this year, should give a boost to the market. Also, there is a high level of liquidity in the capital market, which will benefit everyone.

By the end of 2024, we'll have achieved a further reduction of our debt, as we want to sell properties worth around 3 billion euros. We're very much on target, as we've already signed sales contracts for around 1.1 billion euros, which means that our LTV pro forma ratio is now 45.9 per cent and has almost reached the target range.

This year, we'll be investing around 1 billion euros in our existing stock. This is 30 per cent more than in 2023 and includes the accelerated expansion of our solar panels. Also, we're ready to get going with new construction: as soon as the overall conditions are right, we want to launch new projects again.

What makes our investments much easier is that we now have clarity about rent controls. The German government has extended its rental freeze until 2029, and fortunately, there was no further tightening of rules. This is a good thing. However, I'd still say that the rent freeze was intended for a limited period of time and mustn't become a permanent feature – for a variety of reasons.

It stifles investment. It's socially blind. It does not take account of tenants' individual financial situations. And it's vital to provide sufficient affordable housing for firefighters, nurses, carers and manual workers. Living in a big city must be affordable for them. But there's no need to cap the rent of a penthouse flat. Strong shoulders can carry more than weak ones. This would give us more manoeuvring space.

We've now replaced our Group FFO with a more suitable indicator: adjusted earnings before tax, EBT for short. For the current financial year we are expecting to see an Adjusted EBT of between 1.7 and 1.8 billion euros. In addition, we've started reporting our Operating Free Cash Flow as a leading indicator of internal financing, a figure that shows us clearly how much money we have available for investments and also for dividends.

Over the next few years, we should have rising dividends again. In the future, we want half of our pre-tax profit to go to you, our shareholders, so that you'll have a proper share of our successes. In addition, there's also surplus liquidity from our free cash flow.

From 2025, we're expecting – driven primarily by the housing shortage and a high demand for urban residential space – to see organic value growth. Excluding market effects, we calculate of around 3 billion euros per year. We can either invest this money to increase our value or we can use it for dividend payments via property sales.

This year, we had to find a good balance. We'd therefore like to propose a dividend of 90 eurocents per share. This is slightly more than last year, but less than in previous years. We believe that it's a sensible solution for 2024, as we're still in the process of improving our financial position, and so we'd be grateful for your approval.

Looking at today's agenda, I'm also asking you to discharge the Management Board and the Supervisory Board for the 2023 financial year. Another point is the election of a new Supervisory Board Member, and we're also asking you to approve all the other items on the agenda.

8. Conclusion

Ladies and Gentlemen,

Last year was a hard one. But we've nevertheless found solutions. We actively managed the crisis. Moreover, we're financially solvent, and we're in a position of strength again.

At the end of March, we received our first rating from the rating agency Fitch – and it was very positive. According to Fitch, we're benefiting from the stability of the regulated rental market in Germany, with its extremely high demand for flats, coupled with protection against inflation in the various rental price indices and a very high occupancy rate of around 98 per cent. I really feel that this should be highlighted.

We've got a healthy, sustainable business with long-term protection against megatrends, and thanks to our hard work, we're on the eve of a prolonged boom.

Dear Shareholders, Ladies and Gentlemen,

Thank you very much indeed for standing shoulder to shoulder with us. Our country is a great one to live in. We're part of it, and we all have a responsibility to ensure social cohesion. So if there's anything important that we can change, let's do so. With this in mind, we look forward with optimism!

Thank you very much for your attention today.
I now hand the floor back to Ms Streit.