

The logo for VONOVIA, featuring the company name in a white, sans-serif font against a dark blue background. The background of the entire slide is a photograph of a modern, multi-story residential building with balconies, partially obscured by lush green trees and a blue tint.

VONOVIA

# Update on Recent Developments around Adler Optionality

Adler Share Price Decline Set Safety Mechanisms in Motion

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February 22, 2022

# What Has Happened?

## Adler Share Price Decline Set Safety Mechanisms in Motion

Adler share price decline following recent corporate announcements

- On Jan. 28, Adler Group S.A. informed the market that the KPMG forensic report would not be finalized before Q2 2022.
- On Jan. 31, Adler Group S.A. informed the market about the resignation of M. Bütter from the Board of Directors.

Margin call

- On Jan. 31, Vonovia sent a margin call notice to Aggregate, triggered by the Adler share price decline to below the agreed margin call level.
- This led to a payment request for cash collateral under the loan agreement to protect the value of the collateral.

Rights of Vonovia triggered

- On Feb. 2, Aggregate failed to provide the cash collateral, which entitles Vonovia under the margin loan agreement to accelerate and enforce the margin loan, including by way of appropriating the collateral.

Application for antitrust approval

- On Feb. 18, Vonovia received the required exemption from the Federal Cartel Office (*Bundeskartellamt*) to appropriate the shares prior to the formal antitrust clearance, subject to the shares being held by the security agent, and Vonovia not exercising voting rights, until the mandatory formal antitrust clearance has been received.
- The application for this formal antitrust clearance from the Federal Cartel Office will be filed in due course.

Enforcement

- On Feb. 21, Vonovia sent an acceleration notice, followed by an enforcement and exclusive control notice via the security agent on Feb. 22. As a consequence, Vonovia has secured the appropriation of 20.5% of the Adler shares, which is the equivalent of €250m plus interest and enforcement costs, based on the relevant Adler closing price of €10.44 as of Feb. 21.

# Vonovia Preserves Its Creditor Rights

## Technical Consequences Triggered Under Margin Loan Agreement

### Oct. 8: €250m margin loan

- 26.6% stake in Adler as collateral
- see-through price of €8/share
- loan maturity 04/2023

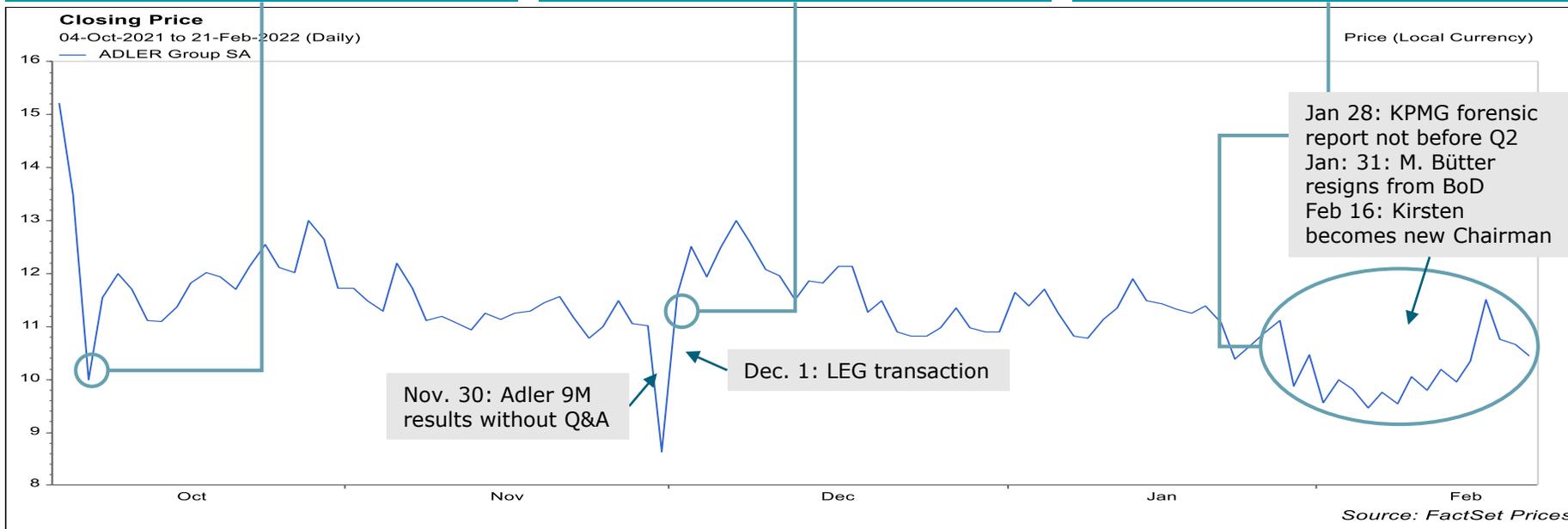
### Dec. 1: Reservation of rights notice sent to Aggregate

- Due to immediate share price recovery no margin call

Jan. 31: margin call notice sent to Aggregate  
Feb. 2: cash collateral not provided by Aggregate

→ Margin loan agreement entitles Vonovia to enforce loan and appropriate the collateral

- Feb. 18: Antitrust exemption received to appropriate the shares (securing the collateral to Vonovia)
- Appropriation of 20.5% of Adler shares
- Vonovia can exercise voting rights from shares once formal antitrust clearance has been obtained



### Vonovia

- ✓ safeguards its rights under the contractual agreements;
- ✓ acts in the interest of its stakeholders; and
- ✓ honors its fiduciary duties.

→ **But:** No foregone conclusion about the next steps.



# What Are the Next Steps?

## Loan Enforcement Does Not Preempt Decision On Next Steps

Vonovia now beneficiary owner of 20.5% of Adler shares

Mandatory antitrust clearance process

Adler shares transferred to Vonovia depository account

- As a result of the enforcement and exclusive control notice, J.P. Morgan as the custodian, where the Adler shares are held, may only act upon instructions of the Security Agent, who in turn may only act upon the instructions of Vonovia.
- Following the special exemption from the Federal Cartel Office granted on Feb. 18, the mandatory antitrust clearance process will be initiated in due course and is estimated to take about 1-2 months.
- During this period, Vonovia will beneficially own the Adler shares but not issue any voting instructions.
- Following antitrust clearance Vonovia will be able to instruct transfer of the Adler shares to a depository account designated by Vonovia.

• Vonovia's risk position is materially unchanged  
• Pricing considered attractive under all likely scenarios and taking substantial risks into account

Increased transparency (e.g. KPMG forensic report) around Adler situation in the coming months is key factor for next steps

Hold shares and seek further transparency

Sell shares

Increase stake

# Considerations Leading to Decision to Enforce Margin Loan

On Balance, the Enforcement Results in More Advantages than Disadvantages

## Pro

- ✓ Enforcement is the rational decision for Vonovia as the creditor under the margin loan agreement given failure of Aggregate to pay the required margin cash after share price decline.
- ✓ Loan and call option fall away, effectively ending contractual relation with Aggregate.
- ✓ Economic risk exposure remains at €250m and therefore unchanged compared to the previous pledge structure under the margin loan.
- ✓ Appropriation of a stake in Adler at a price that Vonovia considered attractive in light of the portfolio value and the potential risks already back in October 2021, when the margin loan agreement was signed.
- ✓ Vonovia can exercise influence towards improvement of Adler's corporate governance structure already prior to KPMG forensic report.<sup>1</sup>

## Con

- ✗ No visibility on KPMG forensic report yet.
- ✗ Call option no longer available.
- ✗ Direct exposure to share price risk compared to indirect exposure under the previous pledge structure.<sup>2</sup>

<sup>1</sup> Subject to mandatory formal antitrust clearance. <sup>2</sup> Aggregate's failure to pay required margin cash suggests that loan repayment was not a certain outcome and hence exposure to share price risk already existed before (and was accepted by Vonovia when Vonovia became creditor under the margin loan agreement).

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