Annex B
Invitation to the Annual General Meeting
9 May 2018

Vonovia SE, Bochum
ISIN DE000A1ML7J1
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The Management Board of Vonovia SE presents to the Annual General Meeting the following report:

Report of the Management Board regarding the partial utilization of the Authorized Capital 2016 (capital increase as of July 2017 under exclusion of subscription rights of the shareholders, for the purpose of the merger of Gagfah S.A. into Vonovia SE)

On 7 March 2017, Vonovia SE ("**Vonovia**" or the "**Company**") announced its intention to a cross-border merger of Gagfah S.A. ("**Gagfah**") into Vonovia as absorbing company. After completion of all preparatory measures, in May 2017 the corporate bodies of Vonovia and the administrative board of Gagfah resolved to draw up the terms of merger. On 27 June 2017, the general meeting of Gagfah's shareholders approved the merger and the drawing up of the terms of merger. The approval of the General Meeting of Vonovia's shareholders was not required since prior to the merger Vonovia held more than 90 per cent of the voting rights and the share capital in Gagfah.

The merger was a key part of an extensive transaction resulting in Gagfah's complete operational and legal integration in and its takeover by Vonovia. The reasons for the merger as well as for the necessary capital increase lie with the simplification of Vonovia group's shareholding structure and the associated cost savings. In particular by abolishing the administrative board and the annual general meetings as well as by avoiding the requirement to prepare annual accounts and the material expenses for, amongst others, operating an office in Luxembourg, costs can be reduced by a significant amount. Vonovia's shareholders will benefit from these cost savings.

The merger was the suitable, necessary and proportionate mean to achieve the business objectives pursued by Vonovia. In particular, there was no alternative transaction structure that would have made a capital increase in kind with exclusion of subscription rights redundant and by which the business objectives could have been achieved in a comparable manner. A theoretically possible acquisition of all shares in Gagfah by Vonovia (subject to the co-operation of all Gagfah-shareholders) would not have automatically led to Gagfah's liquidation and, thus, to an automatic cost saving. Similar considerations apply to a squeeze-out under Luxembourg law. Apart from that, Vonovia did not hold a shareholding of at least 95 per cent of the capital and the voting rights in Gagfah which is required for a squeeze-out under Luxembourg law.

The terms of merger provided that the outside shareholders, i.e. the shareholders being entitled to exchange (the "**Outside Shareholders**"), would receive newly issued Vonovia-shares in exchange for their Gagfah-shares. For this reason, Vonovia carried out a respective capital increase in kind immediately before the merger taking effect. Vonovia itself was not entitled to an exchange of its Gagfah-shares.

To carry out the merger and the necessary capital increase in kind, in May 2017 Vonovia's management board decided to increase the Company's share capital by an amount of EUR 8,640,578.00 through the issue of 8,640,578 new no-par value registered shares, each representing a pro rata amount of the registered share capital of EUR 1.00, each with an issue price of EUR 1.00 and each being entitled to dividends as of 1 January 2017 (the "**Consideration Shares**") by way of utilization of the authorized capital pursuant to Section 5b.1 of the Company's articles of association (the "**Authorized Capital 2016**").

As regards the utilization of the Authorized Capital 2016 to carry out the merger, the supervisory board had assigned its powers to its finance committee. On 16 May 2017, the finance committee of the Supervisory Board approved the resolution of the Management Board.

The implementation of the capital increase as well as the merger were registered with the commercial register on 12 July 2017 (clarifying correction as of 17 July 2017) and therewith the Company's share capital was increased from total EUR 476,460,248.00 by an amount of EUR 8,640,578.00 to the Company's current share capital of EUR 485,100,826.00.

The subscription right of Vonovia's shareholders was excluded. Based on the terms of merger, the Consideration Shares were issued to the Outside Shareholders in consideration for the transfer of Gagfah's entirety of assets in the course of the cross-border merger at the effective date of the merger. The Consideration Shares were issued at the ratio of 100 Gagfah-shares with a nominal value of EUR 1.25 each for 57 new no-par value registered Vonovia-shares, each representing a pro rata amount of the Company's registered share capital of EUR 1.00.

In preparation of the respective decisive board resolutions on the utilization of the Authorized Capital 2016, the Management Board and the finance committee of the Supervisory Board diligently and intensively assessed the fairness of the exchange ratio and the issue price of the Consideration Shares respectively. The determination of the fair exchange ratio of 100 Gagfah-shares for 57 new no-par value registered Vonovia-shares is based on company valuations which were conducted with respect to Vonovia and Gagfah according to the same methods by using the discounted cash-flow method

(*Ertragswertverfahren*), a method based on established commercial principles of company valuation as recognised by German courts. To carry out the valuation, the Management Board of Vonovia and the administrative board of Gagfah jointly made use of expert support provided by Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft.

As applied on the reference date, i.e., the general meeting of Gagfah's shareholders on 27 June 2017, the discounted cash-flow method (*Ertragswertverfahren*) is considered to be firmly established in theory and practice of company valuations and is reflected in the statements by the Institute of Chartered Accountants in Germany, in particular in the standard IDW S 1 on the principles for carrying out company valuations in its 2008 version (*Verlautbarungen des Instituts für Wirtschaftsprüfer e.V., IDW Standard „Grundsätze zur Durchführung von Unternehmensbewertungen" (IDW S 1 i.d.F. 2008)*). Both companies agreed on applying this method of company valuations.

Determined on the basis of the discounted cash-flow method (*Ertragswertverfahren*) as of 27 June 2017, Vonovia's company value amounted to about EUR 18,606.3 million. Gagfah's company value, determined on the basis of the discounted cash-flow method (*Ertragswertverfahren*) as of 27 June 2017, amounted to about EUR 5,564.2 million. In terms of 246,176,178 issued Gagfah-shares, the value per share as of 27 June 2017 was EUR 22.60. In terms of 468,796,936 issued Vonovia-shares, the value per share as of 27 June 2017 was EUR 39.69. Hence, the mathematical exchange ratio is 0.57 Vonovia-shares per one Gagfah-share. On the basis of the aforementioned valuation method, Vonovia's Management Board assured itself that the exchange ratio of 57 Vonovia-shares for 100 Gagfah-shares is fair and agreed upon the exchange ratio with Gagfah's administrative board. In the course of the merger, the Management Board of Vonovia prepared a merger report in which it commented in particular on the reasons for the merger as well as on the appropriateness of the exchange ratio. In accordance with the applicable statutory provisions, the merger report was made available to the shareholders prior to the merger.

In addition, the merger report, in particular the appropriateness of the provided exchange ratio, was audited by KPMG AG Wirtschaftsprüfungsgesellschaft ("**KPMG**"), being appointed as joint merger auditor for both companies involved in the merger by the decision of the district court of Düsseldorf of 14 March 2017 pursuant to Article 9 lit. c) ii), Article 10 SE-Regulation (*SE-VO*) in connection with Sections 122f, 10 para. 1 Transformation Act (*UmwG*), following a joint application of Vonovia's Management Board and Gagfah's administrative board. KPMG has held the exchange ratio to be fair.

Following the above, in the opinion of the Management Board, both, the merger as well as the capital increase in kind under exclusion of subscription rights of the shareholders are justified by the interests of the Company. The exclusion of subscription rights was necessary since the merger required an exchange of any and all shares of the Outside Shareholders of Gagfah for Consideration Shares in Vonovia.

Bochum, March 2018

The Management Board of Vonovia SE