

**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:

**Management Board Report regarding Item 9 (Resolution regarding the Cancellation of the existing and the Granting of a new Authorization for the Company to acquire and use its own shares, also under exclusion of subscription and tender rights)**

Regarding Item 9 of the Agenda of the Annual General Meeting on 9 May 2018, the Management Board and the Supervisory Board propose that the Company be again authorized pursuant to Section 71 para. 1 no. 8 AktG for a period of five years until 8 May 2023 to acquire shares of the Company up to an amount of 10% of the Company's share capital at the time of the resolution (i.e. up to a maximum of 48,510,082 shares) or – in the event that this amount is lower – at the time when this authorization is exercised. According to the proposed resolution, the Management Board is entitled to acquire the shares under partial restriction of the principle of equal treatment and shareholders' tender right, if any, and to use the acquired shares on the basis of this, an earlier or a later authorization and to exclude the shareholders' subscription right. The Management Board has submitted the following report on Agenda Item 9 of the Annual General Meeting pursuant to Section 71 para. 1 no. 8 AktG in conjunction with Section 186 para. 4 sentence 2 AktG, on the reasons for authorizing the exclusion of shareholders' tender right, if any, and the exclusion of the shareholders' subscription rights in case the Company sells its own shares:

The authorization granted by the Annual General Meeting on 30 June 2013 will expire on 29 June 2018. In order to keep continuing this practice, the Management Board shall again be authorized to be able to use the possibility of acquiring own shares. This authorization is subject to the condition that any newly purchased shares, together with already existing treasury shares, must not exceed the limit of 10% of the Company's share capital pursuant to Section 71 para. 2 sentence 1 AktG.

### **Acquisition of own shares of the Company under exclusion of any tender rights**

The acquisition of the shares may be conducted via the stock exchange, through a purchase offer made to all shareholders, or through a public invitation to submit a sale offer. The Company is also to be given the possibility to offer not only cash but also shares in other listed companies by way of exchange, which for shareholders can be an attractive alternative to a public purchase offer. It gives the Company additional scope for optimally structuring share buybacks, which is also in the interests of the shareholders.

In connection with a public purchase offer, a public exchange offer or a public invitation to submit a sale offer, it may be that the number of shares tendered by shareholders exceeds the number of shares offered to buy by the Company. In such a case, tenders will be accepted on a quota basis. It is intended to allow a privileged acceptance of smaller tenders or smaller parts of tenders up to a maximum of 100 shares. This option helps to avoid fractional amounts and small residual amounts in the determination of the ratios to be acquired and thus facilitate the technical implementation. This also avoids factual disadvantages to shareholders of smaller stakes. Furthermore, the shares can be allotted in proportion to the tendered shares (tender ratios) rather than by the percentage of shares held because by doing so the technical aspect of the acquisition procedure can be kept within reasonable economic limits. Furthermore, commercial rounding shall be possible to avoid allocation of fraction of shares. Insofar the acquisition quota and the number of shares to be purchased from individual tendering shareholders can be rounded off to the extent that is necessary to acquire whole shares. The Management Board considers an exclusion of a more extensive pre-emptive tender right of the shareholders to be justified and to be reasonable towards shareholders.

The authorization further allows the Company to acquire its own shares via the issue of tender rights to the shareholders. Such tender rights will be structured in such a way that the Company is only under an obligation to acquire whole shares. Any tender rights which cannot be exercised in accordance therewith will be forfeited. This procedure treats shareholders equally and simplifies the technical procedure of the share acquisition.

### **Use of acquired shares and exclusion of subscription rights**

The use of the shares acquired on the basis of the authorization granted by the Annual General Meeting on 9 May 2018 is intended to be possible with the exclusion of shareholders' subscription rights in defined cases:

- (i) The Company is to be enabled to sell its own shares in a way other than via the stock exchange or by means of an offer to all shareholders against cash contributions under exclusion of the subscription right.

A precondition for such a sale is that the achieved price is not substantially lower than the stock market price for shares of the same class on the date of such sale. The final setting of the sale price is to occur immediately prior to the sale of the own shares. Furthermore, the Management Board will keep any possible discount on the current trading price or the average weighted price of the shares during an appropriate number of trading days prior to the sale as low as possible under the market conditions prevailing at the time of the placement. Subject to specific circumstances in individual cases, a possible deduction from the relevant stock market price will presumably not exceed approximately 5% of the stock market price in question. This ensures that shareholders are protected against dilution of their shareholdings. Determining a sales price close to the stock market price ensures, that the value of subscription rights for the shares to be sold would, in practical terms, be very low. The shareholders have the opportunity to acquire the quantity of shares required to retain their ratio of holdings at nearly identical terms on the stock exchange. The authorization is in the Company's interest, as the Company is thus in the position to react quickly and flexibly to favorable situations on the stock market. Thus, it may, for instance, expand the group of shareholders by specifically selling shares to strategic partners, institutional investors, or financial investors. Not least, the exclusion of subscription rights is objectively justified by the fact that often higher equity contributions can be raised.

Moreover, in accordance with Section 186 para. 3 sentence 4 AktG, the authorization ensures that the total shares sold under exclusion of subscription rights may not exceed 10% of the share capital at the date of the resolution, or – in the event that this amount is lower – of the share capital at the time of this authorization being exercised. The resolution proposal further provides for a deduction clause: In this cap of 10% are to be included the shares issued or sold during the term of this authorization under exclusion of subscription rights pursuant to or in application of Section 186 para. 3 sentence 4 AktG. Furthermore, the shares that are issued to serve warrant or convertible bonds, provided that these in turn are issued during the term of this authorization and under exclusion of subscription rights in analogous application of Section 186 para. 3 sentence 4 AktG. Including such shares in the cap of 10% ensures that no own shares are sold under exclusion of subscription rights pursuant to Section 186 para. 3 sentence 4 AktG if this would result in a situation in which the shareholders' subscription rights are, or have been, excluded for more than 10% of the share capital in total pursuant to or in analogous application of Section 186 para. 3 sentence 4 AktG. Given this limitation and

the fact that the issue price relates to the stock market price, the shareholders' interests in assets and voting rights will be appropriately assured.

The upper limit, decreased under the preceding inclusion clause, shall be increased again when a new authorization to exclude shareholder subscription rights pursuant to or in line with Section 186 para. 3 sentence 4 AktG resolved upon by the General Meeting becomes effective after the decrease, to the extent of the reach of the new authorization, but up to a maximum of 10% of the share capital in accordance with the stipulations of sentence 1 of the inclusion clause. This is because in this case or cases, the General Meeting again has the opportunity to decide on the simplified exclusion of subscription rights, meaning that the reason for inclusion had ceased to apply. With effectiveness of the new authorization for a simplified exclusion of subscription rights, the restriction regarding the authorization to issue the bonds without subscription right of the shareholders caused by the use of the authorization to issue new shares or to issue bonds or by the sale of own shares is no longer applicable. On the basis of the identical majority requirements for such a resolution, the renewed authorization for the simplified exclusion of subscription rights will at the same time also contain – insofar as the statutory requirements are met – a confirmation regarding the authorization resolution on the use of own shares. In the event of a renewed exercise of an authorization to exclude subscription rights in direct or analogous application of Section 186 para. 3 sentence 4 AktG, the reduction shall apply again.

- (ii) Furthermore, the Company shall be able to sell its own shares either directly or indirectly by excluding subscription rights in return for contributions in kind. The Company should remain able to acquire in particular – but not solely – for the purpose of the acquisition (including indirectly) of companies, parts of companies, shareholdings in companies (this may also be implemented by way of a merger or other transformation law measures) and other assets relating to an intended acquisition (including receivables), properties and property portfolios or to respond to offers of acquisitions or mergers in order to strengthen its competitiveness and to increase its profitability and its enterprise value.

Practice has shown that shareholders of companies that are attractive in terms of an acquisition are to some extent very interested in acquiring the Company's (voting) shares as a consideration, for example in order to maintain a certain degree of influence over the contribution in kind. Another argument in favour of offering a consideration not only as cash payments, but also or exclusively in the form of shares is, that the sellers participate in future price potential. This improves the Company's competitive position in the event of acquisitions.

The option of using own shares as an acquisition currency gives the Company the necessary scope to respond to such acquisition opportunities quickly and flexibly and enables it to acquire even large units in return for the transfer of shares. Under certain circumstances, it should also be possible to acquire commodities (in particular property portfolios or shares in property companies) in exchange for shares. In both instances, shareholders' subscription rights must be excluded. As such acquisitions frequently have to happen at short notice, it is important that they are not, as a rule, depending on the usual annual rhythm of the Annual General Meeting or require an Extraordinary General Meeting, whose preparation and period of convening prevent a swift action.

Should any opportunity open up to mergers with other companies or acquisition of companies or parts of companies or equity interests in companies or other assets, the Management Board will, in each case, carefully assess whether or not to make use of the authorization to sale its own shares under exclusion of subscription rights. This includes, in particular, determining the valuation ratio of the Company and the acquired company investment or other assets and determining the consideration. The Management Board shall only exercise this authorization if it believes the merger or the acquisition of a company or a share in a company or the investment acquisition in exchange for the granting of shares is in the best interests of the Company and its shareholders.

- (iii) The Company shall be able to use own shares to fulfill obligations and to secure obligations or rights to acquire shares in the Company, in particular under convertible bonds, warrant bonds, profit participation rights and/or participating bonds (or combinations thereof) issued by the Company or its affiliates within the meaning of Sections 15 et seqq. AktG.

In certain circumstances, it can be appropriate to satisfy the acquisition obligations or rights by delivering own shares instead of using conditional capital even if such conditional capital should be available in a sufficient amount. The shareholders' subscription rights are excluded in this respect. This is in the interests of the Company and its shareholders for enabling the Management Board to act in an even more flexible way and allowing the avoidance of the dilution effect that is typical of a capital increase. The shareholders are additionally protected by the subscription rights to which they are in principle entitled when bonds with conversion or option rights or conversion or option obligations are issued. In case the subscription rights for bonds had been excluded, the interests of the shareholders were already taken into account in the assessment by the Management Board and Supervisory Board required in such a case. The instances in which subscription rights for bonds with conversion rights and obligations may be excluded are outlined in the report relating to the issue of the corresponding instruments.

- (iv) Finally, the Company shall be able to offer or promise and transfer own shares to its employees or to its affiliates within the meaning of Sections 15 et seqq. AktG, to members of the Company's Management Board as well as to members of the managements of the Company's affiliates within the meaning of Sections 15 et seqq. AktG for their acquisition by excluding the shareholders' subscription rights. If the offer, promise or transfer is made to members of the Company's Management Board, the Supervisory Board shall be solely authorized.

The corresponding use of own shares is subject to the requirement that the shareholders' subscription rights are excluded. The issue of shares to these groups of persons enhances their loyalty to the Company, increases their economic responsibility and is, therefore, in the interests of the Company and its shareholders. The Company can issue shares to these groups of persons only if the shareholders' subscription rights are excluded. In this context, the use of own shares instead of a capital increase or a cash payment within the scope of option schemes can make economic sense, and thus the authorization is intended to increase the Company's leeway and flexibility. In cases in which the aforementioned groups of persons are granted rights or obligations to acquire shares in the Company as part of their remuneration, the use of acquired own shares can also help effectively control the price risk that may otherwise exist.

If and to the extent permitted by law, third parties, for example a credit institution, can also be involved in the implementation process. For example, the shares can first be transferred to a credit institution subject to the requirement that it shall transfer the shares exclusively to employees of the Company or to its affiliates within the meaning of Sections 15 et seqq. AktG, to members of the Company's Management Board as well as to members of the managements of the Company's affiliates within the meaning of Sections 15 et seqq. AktG. This can, for example, facilitate the practical handling and reduce costs.

Further, with the approval of the Supervisory Board, the Management Board shall be authorized to exclude subscription rights under certain circumstances:

- (i) Subscription rights may be excluded to issue a share dividend (also known as *scrip dividend*) under which shares of the Company are used (including partially and/or optionally) to satisfy shareholder dividend claims.

It is intended, in particular, to enable the Company to make payment of a scrip dividend at ideal conditions. In the case of a scrip dividend, the shareholders are offered to exchange their claim for payment of the dividend, which comes into existence with the resolution of the Annual General Meeting on the appropriation of profits, in whole or in part, for shares in the

Company. A scrip dividend can be implemented with subscription rights. In individual cases, depending on the capital markets situation, it may be preferable to structure the implementation of a scrip dividend in such manner that the Management Board offers to all shareholders who are entitled to dividends, in observance of the general principle of equal treatment (Section 53a AktG), shares for subscription against transfer of their dividend entitlement and, thus, economically grants the shareholders a subscription right, but to legally exclude the shareholders' subscription right to the shares in its entirety.

Such an exclusion of the subscription right facilitates the implementation of the scrip dividend at more flexible conditions. In view of the fact that all shareholders will be offered the shares and excessive dividend amounts will be settled by cash payment of the dividend, an exclusion of the subscription rights in such cases appears to be justified and appropriate.

- (ii) Moreover, with the approval of the Supervisory Board, the Management Board shall be authorized to exclude subscription rights in the sale of own shares if and to the extent required in order to grant holders/creditors of conversion or option rights or obligations on the Company's shares subscription rights as compensation against the effects of dilution to the extent to which they would be entitled upon exercising such rights or fulfilling such obligations. The reason for this is that the issue conditions of bonds with conversion or option rights or obligations regularly include an anti-dilution provision that grants the holders/creditors subscription rights to shares issued in subsequent share issuances and on the basis of other specific measures. The holders/creditors are thus treated as if they were already shareholders. For bonds to feature such an anti-dilution measure, shareholders' subscription rights for these shares have to be excluded. This serves to facilitate the implementation of the issuance of the bonds and is, therefore, in the interests of the shareholders regarding an optimum financial structure for the Company. Further, the exclusion of subscription rights for the holders/creditors of bonds has the advantage that, in the event that the authorization is exercised, the option or conversion price does not have to be reduced for the holders/creditors of existing bonds in accordance with the corresponding bond conditions. This allows for a greater inflow of funds and is, therefore, in the interests of the Company and its shareholders.
- (iii) Finally, the Management Board shall be authorized to exclude subscription rights for fractional amounts. This exclusion of subscription rights is intended to allow the technical implementation of a disposal of acquired own shares by way of an offer for sale to shareholders. The value of each shareholder's fractional amount is generally low and as such the potential dilutive effect is also deemed to be low. In contrast, the effort without such an exclusion is considerably greater. The exclusion therefore makes the issue more practicable and easier to implement. Own shares for which shareholders' subscription rights are excluded

as they are fractional amounts are put to the best possible use for the Company by being sold on the stock exchange or by other means. The Management Board and Supervisory Board consider the potential exclusion of subscription rights for these reasons to be objectively justified and, weighed against the interests of the shareholders, to also be appropriate.

Within the scope of a public takeover procedure in which the Company as bidder offers to the shareholders of the target company to be acquired (also) shares in the Company as consideration, it is possible that the target company also tenders own shares held by itself (that means shares in the target company). It thereby acquires a claim for shares in the Company. In the case of a successful takeover, it is possible – depending on the time schedule of the implementation process upon execution of the takeover – that the target company has already become an affiliate of the Company within the meaning of Sections 15 et seqq. AktG, but that the shares in the Company offered as consideration have not yet been transferred to it. Rather, the shares in the Company will not be transferred to it (that means to the target company) before the time when it has already become a subsidiary of the Company and the Company thus indirectly repurchases part of the shares offered. This acquisition situation may have to be assessed by applying the standard of Section 71d sentence 2 AktG in conjunction with Section 71 para. 1 no. 8 AktG and therefore requires an authorization which also allows an exclusion of tender and subscription rights. In the event of a takeover, it may be in the interest of the Company to also offer shares in the Company as consideration. This is, however, only possible if the subscription or tender rights of the other shareholders are excluded. The interests of the shareholders in this process are already sufficiently considered in the decision on the exclusion of subscription rights for the offer of shares to all holders of the shares of the target company.

In total, the amount of the shares sold under exclusion of the subscription right against cash and/or in kind contributions must not exceed a proportionate amount of 20% of the share capital, either at the time at which the resolution is passed or – in the event that this amount is lower – at the time at which this authorization is exercised. In this cap of 20% are to be included (i) shares issued during the term of this authorization under exclusion of subscription rights as well as (ii) the proportionate amount of share capital accounted for by shares that are issued or must be issued to serve warrant or convertible bonds, provided that these in turn are issued during the term of this authorization and under exclusion of subscription rights.

This restriction also limits the potential dilution of the voting rights of the shareholders whom subscription rights have been excluded. The cap, decreased under the preceding inclusion clause, shall be increased again when a General Meeting resolution on a new authorization to exclude shareholder subscription rights becomes effective after the decrease, to the extent of the reach of the new authorization, but up to a maximum of 20% of the share capital in accordance with the stipulations of sentence 1 of the inclusion clause. In this case, the General Meeting again has the opportunity to

decide on the exclusion of subscription rights, meaning that the reason for inclusion had ceased to apply.

With these circumstances having been considered, the authorization to exclude subscription and tender rights within the limits outlined is necessary, suitable, appropriate and in the interests of the Company. Insofar as the Management Board exercises one of the aforementioned authorizations to exclude subscription rights in relation to the sale of own shares within a single financial year, it shall report on this in the Annual General Meeting following any such exercise.

Bochum, March 2018

***The Management Board of Vonovia SE***