

Comments by the Chief Executive Officer

Rolf Buch, Vonovia SE,

on the occasion of the Annual General Meeting on May  
9, 2018, in Bochum

Dear shareholders,

Dear members of the Supervisory Board,

Dear customers,

Ladies and gentlemen,

I would like to cordially welcome you to the Annual  
General Meeting of Vonovia SE.

Those of you following our online live stream belong to the people taking advantage of our extra digital services. I would like to welcome you, too.

This is now the second shareholder meeting that we have invited you to here at the site of our new corporate headquarters in the heart of the Ruhr region. As you are no doubt aware, we have remained loyal to Bochum as a location. The construction work has been signed off, and the interior is almost finished. Our employees will soon be moving into the building on Universitätsstraße. We are all looking forward to more space, more light, and therefore renewed energy at work.

VfL Bochum is an excellent example of how to develop positive spaces. Following some turbulent times, the club, which plays at the neighboring Vonovia Ruhrstadion, is back up in the second division. We are crossing our fingers that the team will be promoted to the premier division of the Bundesliga next season!

We are already in the very top flight of our industry – in the Champions League. As Europe’s leading residential real estate corporation, we recently overtook Unibail-Rodamco – Europe’s leading commercial real estate company – to claim top spot in terms of share price. While not hugely important, it represents a pleasing endorsement of our work.

We have been successfully serving our customers and shareholders for five years now:

since 2013, we have been significantly increasing our earnings and stability. Our operating earnings – funds from operations, or FFO 1 – has more than quadrupled. Our debt level was below 40 percent as of the end of the year.

We have invested in our property stock, creating living space that meets the needs of the future. Our customers are enjoying the high level of innovation. In turn, satisfied tenants ensure that we have hardly any vacancies. Our shareholders benefit directly from this positive development in the form of continuous dividend increases and, indirectly, on account of growth in the value of the company.

Our strategy is a success. While we used to be property managers, we are now service providers for our customers. The pillars of our scalable business model, in other words property management, a broad financing mix, portfolio management, property-related services – supplemented by acquisitions – have outstandingly proven themselves since the IPO.

And as you are aware, we are increasingly turning our attention to the international stage – I would like to come back to this later.

Ladies and Gentlemen,

2017 was another very successful year. Our news is consistently positive.

For details of our 2017 fiscal year, please refer to our annual report. Its title is “At Home in the Neighborhood” and it lays out our ideas and initiatives for shaping our attractive developments. Life in their own neighborhood is becoming ever more important to people, contributing to their well-being and, ultimately, satisfaction with us.

Over the next 30 minutes, I would like to summarize the key developments of 2017 for you and provide you with an outlook on the months ahead.

The last fiscal year saw us pick up seamlessly on the strong performance of the previous year. Net enterprise value per share (we use the common, Europe-wide real estate valuation standard here) climbed by about 20 percent to € 43.88. This is due to the extremely strong value appreciation of our real estate assets. The conwert portfolio has been included for the first time.

Our operating earnings (FFO 1) rose by 21 percent to € 920.8 million. This represents a rise of 16.3 percent per share. We have become more efficient and achieved positive financing effects. 2017 saw housing-related services make a relevant earnings contribution of more than € 100 million. We wish to build on this area further in the current year.

Within portfolio management, our focus is on high-influx cities, enabling us to strengthen our portfolio structure. We disposed of almost 12,000 apartments in 2017, as they no longer represented a long-term fit with the company. We added almost 25,000 apartments in attractive locations – in Berlin, Potsdam, Leipzig, Dresden, and Vienna. We have therefore once again taken a major step forward in terms of consolidating our portfolio.

This upward trajectory is also boosting the share price. It which grew by 34 percent, thus far outperforming the DAX share index.

We are asked time and again whether rising interest rates will cause refinancing costs to soar, putting our sector under pressure. Let me dispel this concern. The maturities of our long-term financing agreements are spread over several years. We are therefore able to effectively offset any potential change in interest policy, which we do not expect before the coming year.

In addition, the value of our property depends more on demand than on interest rates. Experts believe that this demand is being driven in many places by strong population and employment growth and falling unemployment rates.

But back to our strategy: The four core elements of our business provide our team with stability and a solid defense. But we also have a team that plays offensively and scores goals. We acquire companies with exciting portfolios. And we do so now not just in Germany, but also in Europe.

We have the luxury of not being reliant on growth through acquisitions. We only purchase if good opportunities arise and the acquisitions meet our usual stringent criteria.

Our achievements are also bearing fruit for you, our shareholders. The plan is to increase the dividend by € 0.20 to € 1.32. As in the previous year, dear shareholders, you can decide whether you wish to receive the dividend payment in cash or whether you wish to reinvest it in Vonovia in the form of a stock dividend.

Ladies and Gentlemen,

We have also made a strong start to 2018. We published our figures for the first quarter a week ago. They show that we are completely on track. From January to the end of March 2018, operating earnings climbed by almost 12 percent to approximately € 244 million. This comes against the backdrop of investments in our portfolio, new construction, favorable refinancing agreements, and increased efficiency.

By virtue of this development and the ongoing integration of Buwog, we have increased our forecast for 2018 as a whole. We now expect to generate an operating result of around € 1,030 million to € 1,050 million. This would be an increase of around 13 percent on 2017.

A quick note on the acquisition of our new player, Buwog in Vienna: Its shareholders approved our takeover bid in March 2018 by a large majority. Its apartments are a perfect fit with our portfolio. The majority of units in Germany are situated in the dynamic cities of Berlin and Hamburg, as well as in Kiel and Lübeck.

The size of our Austrian portfolio is increasing to around 23,000 apartments, 7,000 of which are in Vienna. The Buwog portfolio is worth approximately € 5 billion. Overall, we are expanding our portfolio to almost 400,000 units, which is roughly equivalent to a city the size of Frankfurt.

Buwog also occupies a leading position in the area of development – and currently has about 10,000 apartments in its pipeline. This expertise will come in extremely useful in terms of new builds.

Allow me to take this opportunity to talk about our new construction activities. As we are all aware, the construction of new housing is the only solution for rising demand. We have the right solution for these challenges.

Innovative solutions using prefabricated modules have allowed us to underpin the role in which we see ourselves, namely as a company that provides impetus for the industry as a whole. Don't worry, modular construction does not mean panel buildings. But we can assemble buildings much more quickly, and still in a customized fashion, thanks to prefabricated bathrooms, kitchens, and rooms.

The construction period is around three months (instead of a year) – and at lower cost and very high quality. The concerns of local residents will also be allayed. We have found partners for our concept with whom we wish to work on a long-term basis.

In the first quarter of 2018, we started the construction of 550 new apartments, in Landsberg, Bremen, Wiesbaden, Frankfurt, Dortmund, and Munich. Many of these are already being built using the modular technique I mentioned earlier. We are also providing attractive living space in the city centers by adding extra stories to existing buildings.

Construction prices rose by three percent in 2017. This was the highest increase in ten years. This is a challenge for us, too.

Whenever we talk about “affordable housing,” we mean rents that are within the reach of bus drivers, nurses, and pensioners. With our modular construction method, we are now able to build for a very low price. On our own land.

However, we are focusing not just on new construction, but also on our existing buildings. This includes investing billions in energy-efficient modernization, neighborhood development, and maintenance.

Politicians have instructed us to perform energy-efficient modernization work on three percent of German apartments every year in order to make the energy transition a reality. We have achieved a modernization rate of five percent. This puts us in the lead in Germany. By comparison: This figure is still below one percent nationwide.

Energy-efficient modernization measures allow Vonovia to save approximately 55,000 metric tons of CO<sub>2</sub> a year. That is equivalent to the annual heating energy consumption of some 15,000 households. We are therefore not only easing the burden on the environment, but also reducing non-rental costs for our tenants.

When we extensively modernize housing, some of the modernization costs can be passed on to the tenants. We are unfairly accused of not making a proper distinction between modernization and maintenance.

Why unfairly? It goes without saying that as a listed company we comply with stringent transparency obligations and the law. This includes a clear distinction between maintenance and modernization. So the accusation does not hold up.

Following modernizations, we remain significantly below the eleven percent mark for passing on costs and below three euros per square meter, as required by the new coalition agreements. Let me be clear: we are keenly aware of our responsibility to society. At the end of the day, our primary objective is that the customer is happy with what we do. And that they want to stay in their home.

With a current average rent of € 6.18 per square meter, we can confidently say that we are not fueling the price spiral witnessed on the housing market – neither in Germany nor in Austria. Our rents in Germany rose by 1.6 percent last year due to overall market developments.

We know that a healthy residential environment also boosts customer satisfaction. We are playing a pioneering role when it comes to innovative neighborhood ideas that fit with the tenants' environment.

For example, we are committed to the construction of cogeneration units and photovoltaic facilities and are planning the first tenant electricity projects for the current year. Here, tenants source their own electricity from a solar facility on the roof. Self-sufficient neighborhoods are our goal.

We already offer excellent services in terms of our residential environment and neighborhood work and are putting numerous projects into practice. Our neighborhood development work is already making a big difference in Hamburg and Dortmund, as well as in Essen's Eltingviertel district and Berlin's Lettekiez district.

Further housing-related services make our customers' lives easier. These include cable TV, insurance services, and condominium administration at a fair price. We no longer have to arrange time-consuming electricity meter-reading appointments with many tenants now. The meter sends us the information itself. The keyword here is "smart metering."

Almost 4,000 craftsmen now work at the company – some of them fixing faucets in the apartments, others insulating the facades or ventilating the heating systems. At our customer service center, around 800 employees respond to our tenants' queries, while a further 800 caretakers look after their queries on the ground.



Where do we go from here?

We will drive forward our investment program by investing € 1.4 billion in the current year, chiefly in maintenance, improvements in property value, energy-efficient conversion, new construction and senior-friendly conversions.

We also plan to leverage further potential efficiencies in the Rental segment. This also entails the speedy digitalization of processes that make this possible.

This is rewarded by our customers, with satisfaction increasing overall. A fact that is also shown in our regular surveys, which we conduct in conjunction with a renowned, Dortmund-based market research institute.

As people's needs evolve, we are increasingly gearing our apartments to meet new customer requirements. Our tenants are growing older, but also becoming more mobile. They have higher expectations as regards communication and want to have everything in their local area: infrastructure, work, and social environment.

What is needed of an apartment is also changing. If, for example, we provide our tenants with a fitted kitchen, it is less significant that the room is two or three square meters smaller than originally desired. An adjustable sink, a walk-in shower, and wider doors are often more important to an older couple than having a third room. With this intelligent living concept, we are presenting solutions that have a greater real benefit per square meter.

Another challenge relates to the increase in single households. Half of people in Germany now live alone or in pairs. And the trend is increasing. Furthermore, many people are often away from home. Some of them even have two apartments – one for the working week and one for the weekend.

At the same time, the demand for family apartments is increasing. The solution: when we densify an existing neighborhood, an older lady could move from a 90 square meter apartment into a smaller, senior-friendly apartment in the same development. A family with two or three children will then be happy to move into the larger apartment.

In order to put this into practice quickly and effectively in the future, we are currently analyzing large quantities of data to the extent permitted by law. In this regard, digitalization is not an end in itself.

We don't just slavishly follow every trend, but examine what makes sense and what doesn't. We utilize the benefits, both in terms of customer communication and our internal processes.

If a tenant has a query, they want to be able to get in touch with us quickly. We make this possible. Our digital contact methods now include the new Vonovia Chatbot. This enables customers to order repair services or arrange viewings for a new apartment.

Internal processes are also benefiting from new technologies. We use digital tools in the area of new construction. We produce plans using BIM software that digitally models, combines, and records all relevant structural data. If, for example, changes are made to the floor plan or number of doors, the implications are visible to all. The planners know immediately if more light switches are needed and if the costings have changed.

We have entered our sites into our digital site management tool, which remains unique in the industry. We can use this to pinpoint exactly where there is potential for densification. This not only makes our planning more efficient, but is also the perfect complement to our series construction technique.

Ladies and Gentlemen,

We are confident that our business model will also be extremely effective outside Germany. We have made an important step into the rest of Europe with our acquisitions in Austria.

Looking at France in this regard: Our partner CDC habitat is currently the biggest landlord in France with more than 350,000 apartments. A top-notch team. Instead of competing against each other in the country, we want to explore existing joint growth and investment opportunities.

Thanks to our solid financial position, we also have everything in place to take further steps in Europe. Just last Thursday, we submitted a takeover offer to the shareholders of Swedish residential real estate company Victoria Park.

Victoria Park owns and manages around 13,700 apartments, focusing on the metropolitan regions of Stockholm, Malmö, and Gothenburg. The portfolio is a good match for us, as are the company's corporate governance principles.

Victoria Park's financial advisors encouraged us to take this step. The company had previously rejected a takeover offer from American investment firm Starwood Capital. We already own 37 percent of the voting rights in the company.

Our next step will be to present a formal offer to take over shares totaling around 9.6 billion Swedish kronor at the end of May. This corresponds to about € 900 million.

If a sufficient number of Victoria Park shareholders accept the offer, we expect to successfully complete the takeover by the end of June. Following the two company takeovers in Austria, this is the next step for Vonovia in a foreign market that is very similar to our home market of Germany.

In the last week, we successfully carried out a capital increase so that we can finance 50 percent of this acquisition with equity. The new shares were placed at close to the stock market price with the exclusion of subscription rights of institutional investors. The new shares come from existing authorized capital, though they carry dividend rights starting on January 1, 2018.

This means that the dividend proposed today for 2017 will only be granted to existing shares.

In the past year, we also utilized our other previous authorized capital very sensibly. On the one hand, we offered our shareholders a stock dividend following the 2017 Annual General Meeting. This was such a resounding success that we created some 7.6 million new shares from 2016 authorized capital.

On the other hand, Gagfah S.A. was merged with Vonovia in June 2017. The merger formed part of the transaction for the full operational and legal integration and takeover of Gagfah by Vonovia. The merger enabled considerable cost savings.

As consideration, the minority shareholders of Gagfah received approximately 8.6 million Vonovia shares in total. These shares were also created from 2016 authorized capital. We excluded the subscription rights of our shareholders.

The detailed reports of the Management Board on the capital increase with the exclusion of subscription rights are available to you at the request desk.

To continue benefiting from the favorable market environment while quickly and comprehensively strengthening equity, we are asking you to approve another increase in authorized capital under agenda item 7. For details, please consult your documents.

Ladies and Gentlemen,

As you can see, we are not resting on our laurels, even though we are now a big company. Despite our size, we need to stay agile in order to remain one of Europe's top teams and to continue attracting the best players.

One cornerstone of our success is ongoing optimization of the dialogue with our partners. The provision of housing is and will continue to be a joint undertaking for companies, policymakers, and administrative agencies.

It is also essential to cooperate with chambers of trade, universities of applied sciences, and colleges in order to recruit new talent. We currently employ 9,500 members of staff, but still need new people.

Dear shareholders,

I would like to close my presentation by informing you of some changes in personnel.

I can only concur with Prof. Ernst that we were deeply saddened to learn of the passing of Dr. Bernotat last year. Thank you for honoring his service to us with a moment of silence. In September 2017, Prof. Ernst took over as acting Chairman of the Supervisory Board. I would like to thank him for doing so.

If, following our discussion, you approve the proposal of the Supervisory Board, he would like to resume working as Deputy Chairman and pass on his duties as Chairman to Jürgen Fitschen.

I look forward to a constructive working relationship with Mr. Fitschen. He is an outstanding financial expert with international experience and possesses an in-depth understanding of customer relations. With his management expertise and his keen political skills, he will be an outstanding asset to the company.

My Management Board colleagues Prof. Kirsten and Mr. Klinck will be stepping down from the Management Board after the end of the Annual General Meeting and handing over their responsibilities to Ms. Helene von Roeder.

As CFO, she will be in charge of the reunited Finance and Controlling division. While we initially split the two divisions during the takeover of Gagfah, we now regard a fusion the best way forward.

Prof. Kirsten put the finances of our company on a solid footing, thus laying a steady foundation for its successful development. I am delighted that he will

continue to advise the company in the future in his role on the Supervisory Board of Buwog and other companies.”

Mr. Klinck will also remain linked with the company following his departure from the Management Board. He enhanced the areas of controlling, portfolio management, valuation, and property administration. He also established and professionalized a central procurement system. I would like to thank Prof. Kirsten and Mr. Klinck for their considerable dedication.

Another new member of the Management Board is Mr. Riedl. He is responsible for our business in Austria and for development. I am looking forward to seeing what this business area brings.

With these changes in personnel, we are very well placed for the company’s continued development.

Dear shareholders,

I firmly believe that we will continue our success story and make our plans a reality this year. Thank you for your continued trust and support.

I am especially grateful to our employees. Their tireless efforts are the foundation of our success. I would also like to thank all stakeholder groups and tenants' associations. Their suggestions contribute to the ongoing improvement of our products and services.

Thank you for your time. I would now like to hand over to the Chairman of the Supervisory Board, Prof. Ernst.