

Invitation to the Annual General Meeting

of Vonovia SE on Thursday, 12 May 2016

VONOVIA

Convenience Translation

This is a convenience translation of the German invitation to the Annual General Meeting of Vonovia SE on 12 May 2016, including its annex, which is provided to the shareholders for informational purposes only. Vonovia SE assumes no responsibility for misunderstandings or misinterpretations that may arise from this translation or any mistakes or inaccuracies contained herein. In case of doubt, only the German version shall form the basis for interpretation.

Vonovia SE
Düsseldorf
ISIN DE000A1ML7J1
WKN A1ML7J

Invitation to the 2016 Annual General Meeting

The shareholders in our company are cordially invited to the **Annual General Meeting** taking place at 10am (CEST) on **Thursday, 12 May 2016** at the

Congress Center Düsseldorf
Entrance Stadthalle
Rotterdam Str. 141
40474 Düsseldorf

I. Agenda

1. Presentation of the Adopted Annual Financial Statements of Vonovia SE and the Approved Consolidated Financial Statements as at 31 December 2015, of the Combined Management Report for Vonovia SE and the Group, including the Explanatory Report on Disclosures pursuant to Section 289 para. 4 and Section 315 para. 4 of the German Commercial Code (HGB), and of the Report of the Supervisory Board for the 2015 Financial Year

The Supervisory Board has approved the annual financial statements and the consolidated financial statements prepared by the Management Board; the annual financial statements are thus adopted. A resolution of the Annual General Meeting regarding this, item 1 of the agenda, is therefore neither envisaged nor necessary.

The specified documents are available from the time the general meeting is called via the Vonovia SE website at <http://investoren.vonovia.de/agm> and at the Annual General Meeting and will be explained by the Management Board or – in the case of the Supervisory Board report – by the chairman of the Supervisory Board during the Annual General Meeting. The shareholders will have the opportunity to ask questions regarding the

information presented, in accordance with their right to information.

2. Resolution on the Allocation of Distributable Profit of Vonovia SE for the 2015 Financial Year

The Management Board and Supervisory Board propose that the net profit of EUR 746,467,287.47 as presented in the adopted annual financial statements as at 31 December 2015, be appropriated as follows:

A dividend of EUR 0.94 shall be paid per share with the securities identification code ISIN DE000A1ML7J1 / WKN A1ML7J, which is entitled to a dividend for the 2015 financial year; with 466,000,624 shares entitled to dividend, this amounts to

	EUR 438,040,586.56
Retained earnings brought forward	EUR 308,426,700.91
Distributable profit	EUR 746,467,287.47

The proposal for the appropriation of earnings is based on the number of shares entitled to dividend payment for the 2015 financial year of which the company was aware on the day on which the annual financial statements were prepared by the Management Board. Should this number of shares entitled to dividend payment change up to the Annual General Meeting, a resolution proposal that has been modified accordingly to comprise an unchanged dividend of EUR 0.94 per share entitled to dividend payment for the 2015 financial year will be put to the vote at the Annual General Meeting. The sum not relating to shares entitled to dividend payment shall be carried forward.

3. Resolution regarding formal Approval of the Actions of the Members of the Management Board in the 2015 Financial Year

The Management Board and Supervisory Board propose that the actions of the incumbent members of the Management Board in the 2015 financial year be approved.

4. Resolution regarding formal Approval of the Actions of the Members of the Supervisory Board in the 2015 Financial Year

The Management Board and Supervisory Board propose that the actions of the incumbent members of the Supervisory Board in the 2015 financial year be approved.

5. Election of the Auditors of the Annual Financial Statements and the Consolidated Financial Statements for the 2016 Financial Year and of the Review of the Interim Financial Reports for the 2016 Financial Year and the Interim Financial Report for the First Quarter of the 2017 Financial Year

a) Based on the recommendations of its Audit Committee, the Supervisory Board recommends that the Essen branch of KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, be appointed as auditors for the audit of the year-end financial statements for the Company and the Group for the 2016 financial year and in order to review the interim financial statements for the 2016 financial year.

b) Based on the recommendations of its Audit Committee, the Supervisory Board recommends that the Essen branch of KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, be appointed in order to review the interim financial statements for the first quarter of the 2017 financial year.

6. Resolution on the Election of a New Member of the Supervisory Board and the Confirmation of the Supervisory Board Member appointed by the Local Court (Amtsgericht) of Düsseldorf in the 2015 Financial Year

a) Election of Dr Ariane Reinhart as a Member of the Supervisory Board

Mr Gerhard Zeiler stepped down from the Supervisory Board as of 12 May 2016.

At the recommendation of its Nomination Committee, the Supervisory Board proposes that the following resolution be adopted:

Dr Ariane Reinhart, Member of the Management Board of Continental AG, Human Relations, Director of Labor Relations, residing in Damp, is appointed as a member of the company Supervisory Board

for a period of office until the end of the Annual General Meeting that resolves on the approval of actions for the company's 2017 financial year.

Dr Ariane Reinhart is not currently a member of additional statutory supervisory boards or of any comparable control committees of commercial enterprises either domestically and abroad within the meaning of Section 125 para. 1 sent. 5 AktG.

She has no significant personal or business ties with the company, its governing bodies or any shareholder with a significant stake in the company in accordance with number 5.4.1 para. 5 to 7 of the German Corporate Governance Code (DCGK).

b) Confirmation of Dr Ute Geipel-Faber as a Member of the Supervisory Board

Former Supervisory Board member Ms Manuela Better stepped down from the Supervisory Board as of 31 May 2015. Upon application by the company, the Local Court (Amtsgericht) of Düsseldorf judicially appointed Dr Ute Geipel-Faber as of 1 November 2015 as a member of the Supervisory Board.

Such appointments by court order expire upon the appointment of Supervisory Board members by the Annual General Meeting in accordance with the number of members stipulated in the Articles of Association.

At the recommendation of its Nomination Committee, the Supervisory Board proposes that the following resolution be adopted:

Dr Ute Geipel-Faber, independent business consultant, residing in Grünwald, is appointed to the company Supervisory Board for a period of office until the end of the Annual General Meeting that resolves on the approval of actions for the company's 2017 financial year.

Dr Ute Geipel-Faber is currently a member of the following additional statutory supervisory boards within the meaning of Section 125 para. 1 sent 5 of the German Stock Corporation Act (AktG):

- Member of the supervisory board of Bayerische Landesbank

She is not currently a member of any comparable control committees of commercial enterprises either domestically and

abroad within the meaning of Section 125 para. 1 sent. 5 AktG.

She has no significant personal or business ties with the company, its governing bodies or any shareholder with a significant stake in the company in accordance with number 5.4.1 para. 5 to 7 of the German Corporate Governance Code (DCGK).

7. Resolution regarding the Cancellation of the Authorised Capital 2015/II and the existing Article 5b of the Articles of Association and the Creation of an Authorised Capital 2016 with the Possibility of Excluding Shareholders' Subscription Rights and correspondingly Including a new Article 5b in the Articles of Association

With the approval of the Supervisory Board, the Management Board made partial use of the authorisation granted by the Extraordinary General Meeting on 30 June 2013 to increase the company's share capital by up to EUR 111,111,111.00 in the period up to 29 June 2018 by issuing up to 111,111,111 new no-par-value registered shares against cash and/or in kind contributions on one or several occasions (Authorised Capital 2013), increasing the share capital by a total of EUR 109,210,321.00 by means of the capital

increases carried out in March and October 2014 as well as in March and May 2015.

Furthermore, with the approval of the Supervisory Board, the Management Board made partial use of the authorisation granted by the Annual General Meeting on 30 April 2015 to increase the company's share capital by up to EUR 170,796,534.00 in the period up to 29 April 2020 by issuing up to 170,796,534 new no-par-value registered shares against cash and/or in kind contributions on one or several occasions (Authorised Capital 2015), increasing the share capital by a total of EUR 107,538,606.00 by means of the cash capital increase with indirect subscription rights for the shareholders carried out in July 2015.

Article 5.1 of the Articles of Association therefore currently contains Authorised Capital 2013 that permits the Management Board, with the approval of the Supervisory Board, to increase the company's share capital by up to EUR 1,900,790.00 by issuing up to 1,900,790 new no-par-value registered shares against cash and/or in kind contributions on one or several occasions. Article 5a.1 of the Articles of Association therefore currently contains Authorised Capital 2015 that permits the Management Board, with the approval of the Supervisory Board, to increase the company's

share capital by up to EUR 63,257,928.00 by issuing up to 63,257,928 new no-par-value registered shares against cash and/or in kind contributions on one or several occasions.

To date, the Management Board has not used the authorisation granted to it by the Extraordinary General Meeting (Article 5b of the Articles of Association) on 30 November 2015, for reason of the takeover being considered of Deutsche Wohnen AG, to increase the company's share capital by up to EUR 12,266,064.00 in the period up to 30 November 2016 with the consent of the Supervisory Board by issuing up to 12,266,064 new no-par-value registered shares against cash and/or in kind contributions on one or several occasions (Authorised Capital 2015/II).

To maintain the company's ability to comprehensively strengthen its capital resources as and when necessary, further authorised capital in addition to the remaining Authorised Capital 2013 and the remaining Authorised Capital 2015 is to be approved and the Articles of Association shall be amended accordingly. Authorised Capital 2015/II is to be cancelled.

The Management Board and Supervisory Board therefore propose that the following be approved:

- a) Cancellation of the existing Authorised Capital 2015/II

The current authorisation granted by the Extraordinary General Meeting on 30 November 2015 and valid until 30 November 2016 to increase the share capital pursuant to Article 5b of the Articles of Association (Authorised Capital 2015/II) is cancelled from when the new Authorised Capital 2016 becomes effective.

- b) Creation of an Authorised Capital 2016 with the Possibility of Excluding Shareholders' Subscription Rights and correspondingly Including a new Article 5b in the Articles of Association

There will be EUR 167,841,594.00 of new authorised capital created (Authorised Capital 2016). For this purpose, Article 5b of the company Articles of Association shall be revised as follows:

"Article 5b Authorised Capital

- 5b.1 The Management Board is authorised to increase the company's share capital by up to EUR 167,841,594.00 in the period up to 11 May 2021 with the consent of the Supervisory Board by issuing up to 167,841,594 new non-par-value registered shares against cash and/or in kind contributions on one or several occasions (Authorised Capital 2016). The shareholders must in principle be granted subscription rights.
- 5b.2 As part of this, the shares pursuant to Section 186 para. 5 AktG may also be assumed by one or several credit institution(s) or one or several enterprise(s) operating pursuant to Section 53 para. 1 sent. 1 or Section 53b para. 1 sent. 1 or para. 7 of the German Banking Act (Kreditwesengesetz) with the obligation to offer them to the shareholders of the company for subscription (known as an indirect subscription right).

5b.3 The Management Board is, however, authorised, with the approval of the Supervisory Board, to exclude shareholders' subscription rights for one or more capital increases relating to the authorised capital:

- (i) to exclude fractional amounts from the subscription right;
- (ii) insofar as is necessary, to grant the holders/creditors of convertible bonds, warrant bonds, profit participation rights and/or participating bonds (or combinations thereof) (hereinafter collectively "**Bonds**") that come with conversion or option rights or obligations, and that were or shall be issued by the company or companies dependent on or in the direct or indirect majority ownership of the company, a subscription right for new no-par-value registered shares in the company in the same volume as said holders/creditors would be entitled to upon exercising their option or conversion rights or fulfilling their conversion or option obligations as shareholders;
- (iii) to issue shares against cash contributions insofar as the issue price of the new shares does not significantly undercut the stock market price of the shares of the same class and with equal rights already listed on the stock exchange within the meaning of Section 203 para. 1 and 2 and Section 186 para. 3 sent. 4 AktG and the proportion of the share capital attributable to the new shares issued subject to the exclusion of subscription rights pursuant to Section 186 para. 3 sent. 4 AktG is in total no more than 10 % of the share capital, either at the time at which this authorisation becomes effective or at the time at which it is exercised. The company's treasury shares that are sold during the term of this authorisation subject to the exclusion of shareholders' subscription rights pursuant to Section 71 para. 1

no. 8 sent. 5 halvesentence 2 in conjunction with Section 186 para. 3 sent. 4 AktG are to be included in this 10 % cap on the share capital. Any shares already issued or to be issued to satisfy bonds with conversion or option rights or obligations are also to be included in this 10 % cap on the share capital, insofar as these bonds were issued during the term of this authorisation subject to the exclusion of subscription rights pursuant to Section 186 para. 3 sent. 4 AktG. Shares issued during the term of this authorisation pursuant to Section 186 para. 3 sent. 4 AktG on the basis of other corporate action and subject to the exclusion of shareholders' subscription rights, particularly those under Authorised Capital 2013 and Authorised Capital 2015, are likewise to be included in this 10 % cap on the share capital. The upper limit, decreased under the preceding sentences 2 to 4 of this paragraph, shall

be increased again pursuant to or in line with Section 186 para. 3 sent. 4 AktG when the Annual General Meeting resolution on new authorisation to exclude shareholder subscription rights becomes effective after the decrease, to the extent of the reach of the new authorisation, but up to a maximum of 10 % of the share capital in accordance with the stipulations of sentence 1 of this paragraph;

- (iv) to issue shares against contributions in kind in particular – but not solely – for the purpose of the acquisition (including indirectly) of companies, parts of companies, shareholdings in companies and other assets (including receivables), properties and property portfolios relating to an intended acquisition, or to satisfy convertible bonds and/or warrant bonds or combinations thereof issued against contributions in kind; and

- (v) restricted to the issue of 2,500,000 new no-par-value registered shares to issue shares to the employees of the company or of affiliated companies within the meaning of Section 15 AktG to the exclusion of the members of the company's Management Board and Supervisory Board and the members of the management boards, supervisory boards and other bodies of affiliated companies.

Insofar as is legally permissible, the employee shares may also be issued such that the corresponding contributions are covered by the portion of the net profit that the Management Board and Supervisory Board are authorised to transfer to retained earnings pursuant to Section 58 para. 2 AktG.

The new shares may additionally be subscribed by a bank against cash contributions, such that the company is able to buy back the sub-

scribed shares in order to issue them to the employees of the company or of affiliated companies within the meaning of Section 15 AktG to the exclusion of the members of the company's Management Board and Supervisory Board and the members of the management boards, supervisory boards and other bodies of affiliated companies.

5b.4 The above authorisations to exclude subscription rights in the event of capital increases against cash and/or in kind contributions are limited to an amount not exceeding 20 % of the share capital, either at the time at which this authorisation becomes effective or at the time at which it is exercised. The above 20 % cap is also to include treasury shares sold during the term of this authorisation subject to the exclusion of subscription rights and any shares issued to satisfy bonds, insofar as the bonds were issued subject to the exclusion of shareholders' subscription rights during the term of this authorisation due to the authorisation stip-

ulated in item 10 of the agenda of the Annual General Meeting of 30 April 2015 or subject to the exclusion of shareholders' subscription rights during the term of this authorisation due to the authorisation stipulated in item 8 of the agenda of the Annual General Meeting of 12 May 2016. Shares issued during the term of this authorisation on the basis of other corporate action and subject to the exclusion of shareholders' subscription rights, particularly those under Authorised Capital 2013 and Authorised Capital 2015, are likewise to be included in this aforementioned 20 % cap on the share capital. The upper limit, decreased under the preceding sentences 2 and 3 of this paragraph, shall be increased again when the Annual General Meeting resolution on new authorisation to exclude shareholder subscription rights becomes effective after the decrease, to the extent of the reach of the new authorisation, but up to a maximum of 20 % of the share capital in accordance with the stipulations of sentence 1 of this paragraph;

5b.5 With the approval of the Supervisory Board, the Management Board is additionally authorised to stipulate the further details of the share rights and the conditions of share issuance.

5b.6 The Supervisory Board is authorised to amend Articles 4.1 and 5b of the Articles of Association to reflect the utilisation of the Authorised Capital 2016 and once the authorisation period has expired."

c) Application for Registration in the Commercial Register

The Management Board is instructed to apply for the registration of the cancellation of the authorised capital contained in Article 5b of the Articles of Association (Authorised Capital 2015/II) as resolved in lit. a) and the new authorised capital (Authorised Capital 2016) resolved as per lit. b) in the commercial register, provided that cancellation of the Authorised Capital 2015/II is effected first, albeit only if the new Authorised Capital 2016 is registered immediately after.

Subject to the preceding paragraph, the Management Board is authorised to

apply for the registration of the Authorised Capital 2016 in the commercial register irrespective of the Annual General Meeting's other resolutions.

8. Resolution regarding the Cancellation of the existing Authorisation to issue Convertible Bonds, Warrant Bonds, Profit Participation Rights and/or Participating Bonds (or Combinations thereof) and of the Conditional Capital 2015 as well as regarding the Granting of a new Authorisation to issue Convertible Bonds, Warrant Bonds, Profit Participation Rights and/or Participating Bonds (or Combinations thereof) with the Option of Excluding Subscription Rights, regarding the Creation of a Conditional Capital 2016 and the corresponding Amendment of Article 6 of the Articles of Association

With the approval of the Supervisory Board, the Management Board was authorised by resolution of the Annual General Meeting of 30 April 2015 to grant the bond creditors/holders conversion or option rights, warrant or convertible bonds option bonds, profit participation rights and/or participating bonds or combinations thereof (hereinafter collectively "**2015 Bonds**") on one or several occasions up to 29 April 2020, up to an aggregate nominal amount of EUR 5,311,000,000.00

and to grant the holders or creditors option or conversion rights for shares in the company with a proportionate amount of up to EUR 177,053,114.00 of the share capital. The Conditional Capital 2015 of EUR 177,053,114.00 was created to satisfy the 2015 Bonds (Article 6 para. 2 of the Articles of Association); this sum has remained unchanged up to the day on which the invitations to this Annual General Meeting were published.

To maintain the company's comprehensive ability to issue convertible bonds, warrant bonds, profit participation rights and/or participating bonds (or combinations thereof) subject to the exclusion of subscription rights as and when necessary, the existing authorisation and the existing conditional capital (Conditional Capital 2015) are to be cancelled, to be replaced by a new authorisation and new conditional capital (Conditional Capital 2016).

The Management Board and Supervisory Board therefore propose that the following be approved:

- a) Cancellation of the unused Authorisation dated 30 April 2015 and corresponding Cancellation of the Conditional Capital 2015

The Management Board's authorisation to issue convertible bonds, warrant bonds, profit participation rights and/or participating bonds or combinations thereof dated 30 April 2015 shall be cancelled when the amendment of the Articles of Association proposed in lit. d) of item 8 below comes into effect. When the amendment to the Articles of Association proposed below in lit. d) of this, item 8, is incorporated, the resolution of the Annual General Meeting dated 30 April 2015, regarding the creation of the Conditional Capital 2015 of EUR 177,053,114.00 pursuant to Article 6 of the Articles of Association shall be cancelled.

- b) Authorisation to issue Convertible Bonds, Warrant Bonds, Profit Participation Rights and/or Participating Bonds (or combinations thereof) and to exclude Subscription Rights

- aa) Nominal Amount, Authorisation Period, Number of Shares

With the approval of the Supervisory Board, the Management Board is authorised to issue bearer or registered convertible bonds, warrant bonds, profit participation rights and/or participating bonds (or combinations thereof) (hereinafter collectively "**bonds**") on one or several occasions up to 11 May 2021, with a total nominal amount of up to EUR 6,990,009,360.00 with or without a limited maturity period and to grant the bond creditors/holders conversion or option rights for shares in the company with a proportionate amount of up to EUR 233,000,312.00 of the share capital subject to the more detailed conditions of the warrant or convertible bond or profit participation rights in question (hereinafter "**conditions**"). These conditions may also include mandatory conversions at the end of the time to maturity or at other points in time, including the obligation to exercise the conversion or option right. Bonds may also be issued

entirely or partially against contributions in kind.

Bonds may be issued in euros or in the legal currency of an OECD country, subject to limitation to the corresponding value in euros. Bonds may also be issued by companies which are dependent on the company or in which the company has a direct or indirect majority shareholding; in this case, the Management Board is authorised to take on the guarantee for the bonds in lieu of the dependent company or company in which the company has a majority shareholding and to grant the creditors of such bonds, conversion and option rights on company shares, with these possibly also containing the obligation to exercise the conversion or option rights. When bonds are issued, these can be/generally are divided into partial bonds bearing identical rights.

bb) Granting of Subscription Rights, Exclusion of Subscription Rights

The shareholders must in principle be granted subscription rights to the bonds. The bonds may also be assumed by one or several credit institution(s) or one or several enterprise(s) operating pursuant to Section 53 para. 1 sent. 1 or Section

53b para. 1 sent 1 or para. 7 of the German Banking Act (Kreditwesengesetz) with the obligation to indirectly offer them to the shareholders within the meaning of Section 186 para. 5 AktG for subscription (known as an indirect subscription right). The Management Board is, however, authorised to exclude shareholders' subscription rights to the bonds with the approval of the Supervisory Board:

- (1) to exclude fractional amounts from the subscription right;
- (2) insofar as is necessary, to grant the holders of bonds already issued or to be issued by the company, by a dependent company or by a company in which the company directly or indirectly has a majority shareholding a subscription right in the same volume as said holders would be entitled to upon exercising their option or conversion rights or fulfilling their conversion or option obligations as shareholders;
- (3) insofar as the bonds are issued with conversion or option rights or obligations against a cash contribution and the issue price does not significantly undercut the value of the partial

bonds within the meaning of Section 221 para. 4 sent. 2 and Section 186 para. 3 sent. 4 AktG as calculated on the basis of recognised valuation techniques. However, this authorisation to exclude subscription rights only applies to bonds with rights to shares to which no more than 10 % of the share capital is apportioned, either at the time at which this authorisation becomes effective or at the time at which it is exercised. The sale of the company's own treasury shares is to be included in this 10 % cap on the share capital, provided they are sold during the term of this authorisation subject to the exclusion of subscription rights pursuant to Section 71 para. 1 no. 8 sent. 5 halvesentence 2 in conjunction with Section 186 para. 3 sent. 4 AktG. Furthermore, those shares issued from authorised capital pursuant to Section 203 para. 2 sent. 1 in conjunction with Section 186 para. 3 sent. 4 AktG during the term of this authorisation and subject to the exclusion of shareholders' subscription rights are likewise to be included in this cap of 10 % of the share capital. The upper limit, decreased under the preceding sentences 3 and 4 of this paragraph, shall be increased again

pursuant to or in line with Section 186 para. 3 sent 4 AktG when the Annual General Meeting resolution on new authorisation to exclude shareholder subscription rights becomes effective after the decrease, to the extent of the reach of the new authorisation, but up to a maximum of 10 % of the share capital in accordance with the stipulations of sentence 1 of this paragraph;

- (4) in the event that they are issued against contributions in kind, insofar as the value of the contribution in kind is commensurate to the fair value of the bonds to be calculated pursuant to lit. a), bb), (3) above.

The above authorisations to exclude subscription rights in the event of capital increases against cash and/or in kind contributions are limited to an amount not exceeding 20 % of the share capital, either at the time at which this authorisation becomes effective or at the time at which it is exercised. The above 20 % cap is also to include treasury shares sold during the term of this authorisation subject to the exclusion of subscription rights and any shares issued to satisfy bonds, insofar as the bonds were issued subject to the exclusion of shareholders' subscription rights

during the term of this authorisation due to the authorisation stipulated in item 9 of the agenda of the Annual General Meeting of 30 April 2015 or subject to the exclusion of shareholders' subscription rights during the term of this authorisation due to the authorisation stipulated in item 7 of the agenda of the Annual General Meeting of 12 May 2016. In addition, shares issued during the term of this authorisation on the basis of other corporate action and subject to the exclusion of shareholders' subscription rights, particularly those under Authorised Capital 2013 and Authorised Capital 2015, are likewise to be included in this 20 % cap on the share capital. The upper limit, decreased under the preceding sentences 2 and 3 of this paragraph, shall be increased again when the Annual General Meeting resolution on new authorisation to exclude shareholder subscription rights becomes effective after the decrease, to the extent of the reach of the new authorisation, but up to a maximum of 20 % of the share capital in accordance with the stipulations of sentence 1 of this paragraph;

cc) Conversion Rights and Option Rights

If bonds with conversion rights are issued, the creditors may, subject to the conditions, convert their bonds into company shares. The conversion ratio is calculated by dividing the nominal amount of a partial bond by the stipulated conversion price for a company share. The conversion ratio can also be calculated by dividing the issue price of a partial bond, which is below its nominal amount, by the stipulated conversion price for a company share. The conversion ratio may be rounded to a whole number; an additional cash payment may also be stipulated. The conditions may also provide for fractional amounts being combined and/or settled in cash. The conditions may also allow for a variable conversion ratio. The proportion of the share capital attributable to the shares received per partial bond may not exceed the nominal amount of each partial bond.

If warrant bonds are issued, one or more warrants are attached to each partial bond, which entitle the holder to receive company shares subject to the detailed conditions to be determined by the Management Board. The option conditions also allow for the option price being paid either wholly or in part by the transfer of

partial bonds. The subscription ratio is calculated by dividing the nominal amount of a partial bond by the option price for a company share. The subscription ratio may be rounded to a whole number; an additional cash payment may also be stipulated. The conditions may also provide for fractional amounts being combined and/or settled in cash. The conditions may also allow for a variable subscription ratio. The proportion of the share capital attributable to the shares received per partial bond may not exceed the nominal amount of each partial bond.

dd) Conversion and Option Obligations

The bond conditions may also include a conversion or option obligation at the end of the time to maturity or at some other point in time (both also “final maturity date”) or may afford the company the right to grant bond holders company shares as a full or partial replacement for the payment of the sum due upon final maturity. In such cases, the conversion or option price for a share can equal the arithmetic mean of the share’s closing prices in XETRA trading (or a comparable successor system) on the Frankfurt Stock Exchange on the ten (10) consecutive trading days prior to or following the final maturity date, even if

this is below the minimum price stipulated below in lit. b) ee).

The proportion of the share capital attributable to the shares issued per partial bond upon final maturity may not exceed the nominal amount of each partial bond. Section 9 para. 1 in conjunction with Section 199 para. 2 AktG is to be observed.

ee) Conversion or Option Price

With the exception of instances involving an option or conversion obligation, the conversion or option price to be determined for a share must equate either to at least 80 % of the arithmetic mean of the share’s closing prices in XETRA trading (or a comparable successor system) on the ten (10) trading days in Frankfurt am Main prior to the day on which the Management Board makes its definitive decision regarding the issuing of bonds or regarding the company’s acceptance or allocation in relation to the issuing of bonds or - in the event that subscription rights are granted - to at least 80 % of the arithmetic mean of the share’s closing prices in XETRA trading (or a comparable successor system) in the course of (i) the days on which the subscription rights are traded on the

Frankfurt Stock Exchange, with the exception of the final two days of subscription rights trading, or (ii) the days from the start of the subscription period up to the point in time at which the subscription price is definitively determined. Section 9 para. 1 and Section 199 AktG remain unaffected.

In the case of bonds involving conversion or option rights or obligations, notwithstanding Section 9 para. 1 AktG, the conversion or option price may be reduced by virtue of an anti-dilution provision following more detailed specification of the conditions if the company increases the share capital during the conversion or option period while granting its shareholders subscription rights or if the company issues other bonds or grants or guarantees any other option rights without granting the holders of bonds with conversion or option rights or obligations subscription rights in the same volume as said holders would be entitled to upon exercising their conversion or option rights or fulfilling their conversion or option obligations. Subject to the details of the conditions of the bonds, the option or conversion price may also be reduced by virtue of a cash payment when exercising the option or conversion right or fulfilling the conversion

or option obligations. The conditions may also allow for a value-preserving amendment to the conversion or option price in relation to other measures which may lead to the dilution of the value of the conversion or option rights (e.g. including the payment of a dividend). In any case, the proportion of the share capital attributable to the shares received per partial bond may not exceed the nominal amount of each partial bond.

ff) Other possible Configurations

The conditions may stipulate that, in the event of conversion or the exercising of an option or in the event that the option and conversion obligations are fulfilled, the company may choose to also grant other treasury shares, shares from the company's authorised capital or other consideration. The conditions may additionally stipulate that, in the event of conversion or the exercising of an option or in the event that the option and conversion obligations are fulfilled, instead of granting company shares, the company may pay the bond holders the equivalent sum in cash or may grant them the listed shares of another company.

On the other hand, the conditions may grant the company the right to grant the bond holders company shares or the listed shares of another company as a full or partial replacement for the payment of the sum due upon final maturity of the bonds.

The bond conditions may also stipulate that the number of shares received upon exercising the conversion or option rights or upon fulfilling the conversion or option obligations is variable and/or that the conversion or option price may be amended during the time to maturity within a range stipulated by the Management Board dependent on the share price developments or as a result of anti-dilution provisions.

gg) Authorisation to stipulate additional Bond Conditions

The Management Board is authorised to stipulate the additional details of the issuance and structure of the bonds, in particular the interest rate, issue price, time to maturity and denomination, conversion or option price and conversion or option period, or to do so in consultation with the management bodies of the dependent company or company in which the company directly or indirectly has a majority shareholding issuing the bonds.

c) Authorised Capital 2016

Conditional capital is created in order to satisfy the convertible bonds, warrant bonds, profit participation rights and/or participating bonds (or combinations thereof) (hereinafter collectively "**bonds**") issuable pursuant to the issue authorisation approved by the Annual General Meeting under item 8 on 12 May 2016.

The share capital is conditionally increased by up to EUR 233,000,312.00 through the issuance of up 233,000,312 new no-par-value registered shares with dividend rights (Conditional Capital 2016).

The conditional capital increase shall only be effected insofar as the holders/creditors of bonds issued or guaranteed by the company, by an independent company or by a company in which the company directly or indirectly has a majority shareholding by virtue of the aforementioned authorisation resolution of the Annual General Meeting exercise their conversion or option rights or fulfil the conversion or option obligations inherent to such bonds, or insofar as the company grants company shares as a replacement for the payment of the sum due and insofar as the conversion or option rights or

obligations are not satisfied by treasury shares, shares from authorised capital or other consideration.

The new shares are issued at the conversion or option price to be determined subject to the aforementioned authorisation.

The new shares bear dividend rights from the beginning of the financial year in which they are created due to the exercising of conversion or option rights, the fulfilling of conversion or option obligations or their granting in replacement of the payment of the sum due and continue to do so in the financial years that follow; by way of derogation, with the approval of the Supervisory Board and insofar as is legally permissible, the Management Board may stipulate that the new shares shall bear dividend rights from the beginning of the financial year for which no resolution of the Annual General Meeting regarding the appropriation of the net profit had been passed at the time at which the conversion or option rights were exercised, the conversion or option obligations were fulfilled or the shares were granted in replacement of the sum due.

With the approval of the Supervisory Board, the Management Board is authorised to stipulate the further details of effecting the conditional capital increase.

The Supervisory Board is authorised to amend Articles 4.1 and 6.2 of the Articles of Association to reflect the utilisation of the conditional capital after all the option and conversion periods have expired.

d) Amendment to the Articles of Association

Article 6 (Conditional Capital 2016) of the Articles of Association shall be amended as follows:

“Article 6 Conditional capital

6.1 Conditional capital is created in order to satisfy the convertible bonds, warrant bonds, profit participation rights and/or participating bonds (or combinations thereof) (hereinafter collectively “**bonds**”) issuable pursuant to the issue authorisation approved by the Annual General Meeting under item 8 on 12 May 2016.

6.2 The share capital is conditionally increased by up to 233,000,312.00

- through the issuance of up to 233,000,312 new no-par-value registered shares with dividend rights (Conditional Capital 2016).
- 6.3 The conditional capital increase shall only be effected insofar as the holders/creditors of bonds issued or guaranteed by the company, by an independent company or by a company in which the company directly or indirectly has a majority shareholding by virtue of the aforementioned authorisation resolution of the Annual General Meeting exercise their conversion or option rights or fulfil the conversion or option obligations inherent to such bonds, or insofar as the company grants company shares as a replacement for the payment of the sum due and insofar as the conversion or option rights or obligations are not satisfied by treasury shares, shares from authorised capital or other consideration.
- 6.4 The new shares are issued at the conversion or option price to be determined subject to the aforementioned authorisation approved by the Annual General Meeting.
- 6.5 The new shares bear dividend rights from the beginning of the financial year in which they are created due to the exercising of conversion or option rights, the fulfilling of conversion or option obligations or their granting in replacement of the payment of the sum due and continue to do so in the financial years that follow; by way of derogation, with the approval of the Supervisory Board and insofar as is legally permissible, the Management Board may stipulate that the new shares shall bear dividend rights from the beginning of the financial year for which no resolution of the Annual General Meeting regarding the appropriation of the net profit had been passed at the time at which the conversion or option rights were exercised, the conversion or option obligations were fulfilled or the shares were granted in replacement of the sum due.
- 6.6 With the approval of the Supervisory Board, the Management Board is authorised to stipulate the further details of effecting the conditional capital increase.

6.7 The Supervisory Board is authorised to amend Articles 4.1 and 6.2 of the Articles of Association to reflect the utilisation of the conditional capital and once all the option and conversion periods have expired."

e) Application for Registration in the Commercial Register

The Management Board is instructed to apply for the registration of the cancellation of the Conditional Capital 2015 contained in Article 6 of the Articles of Association as resolved in lit. a) and the new Conditional Capital 2016 resolved as per lit. d) in the commercial register, provided that cancellation of the Conditional Capital 2015 is effected first, albeit only if the new Conditional Capital 2016 is registered immediately after.

The Management Board is authorised to apply for the registration of the cancellation of the Conditional Capital 2015 agreed in Article 6 of the Articles of Association and the new Conditional Capital 2016 resolved as per d) in the commercial register irrespective of the Annual General Meeting's other resolutions.

II. Management Board Report

For each of items 7 and 8, the Management Board has written a report on the reasons for authorisation excluding shareholder subscription rights. These reports are enclosed with this invitation to the Annual General Meeting as Annex.

III. Further Details on the Invitation

The relevant provisions for stock corporations which have their main place of business in Germany, in particular those of the HGB and AktG, apply to Vonovia SE on the basis of the principles on conflicts of law of Art. 5, Art. 9 para. 1 lit. c) ii), Art. 53 and Art. 61 of Regulation (EC) No. 2157/2001 of the Council of 8 October 2001 on the Statute for a European company (SE) (SE Regulation), insofar as special provisions under the SE Regulation do not state otherwise.

1. Total Number of Shares and Voting Rights on the date on which the General Meeting is convened

On the date on which the General Meeting is convened, the company's share capital totalled EUR 466,000,624.00 and is divided into 466,000,624 no-par-value shares. Each share corresponds to one vote in the Annual General Meeting. The total number of shares granting eligibility to attend the General Meeting and the right to vote in the General Meeting is therefore 466,000,624. On the date on which the General Meeting is convened, the company does not hold any of its own shares.

2. Conditions for Attending the General Meeting and for Exercising Voting Rights

In accordance with Article 15.1 of the company's Articles of Association, only those shareholders who have registered with the company in good time and who are listed in the share register for the registered shares may attend the General Meeting - in person or by proxy - and exercise their voting rights. The company must receive registrations by **Thursday, 5 May 2016 at 24:00** (CEST) at one of the following addresses

postal address:

Vonovia SE
c/o HCE Haubrok AG
Landshuter Allee 10
80637 Munich

or

fax number:

+49 (0) 89 210 27 288

or

email address:

anmeldung@hce.de

in text form (Section 126b German Civil Code)
in either German or English.

With regard to the company, pursuant to Section 67 para. 2 sent. 1 AktG, only persons listed in the share register are deemed to be shareholders. The shareholding entered in the share register at **24:00** (CEST) **on Thursday, 5 May 2016** (known as the Technical Record Date) is relevant for the eligibility to attend and the exercise of voting rights, including the number of voting rights to which a person eligible to attend the General Meeting is entitled. Applications for the transfer of ownership in the share register that are received by the company in the period from Friday, 6 May 2016 at 00:00 hours (CEST) to Thursday, 12 May 2016 at 24:00 (CEST) inclusively, shall only be processed and taken into consideration following the Annual General Meeting on 12 May 2016.

Registration for the General Meeting does not mean that trading in the shares is blocked. Shareholders may dispose of their shares at their discretion also after registration for the General Meeting.

Banks and shareholder associations and all other persons, institutions, companies or associations treated as equivalent to these pursuant to Section 135 para. 8 and Section 135 para. 10 in conjunction with Section 125 para. 5 AktG may exercise the voting rights in respect of shares not belonging to them but

for which they are registered as holders in the share register only on the basis of an authorisation granted by the shareholder. Details regarding this authorisation can be found in Section 135 AktG.

Further details regarding the registration process can be found in the registration documents sent to the shareholders and on the Company's website at <http://investoren.vonovia.de/agm>.

3. Process of Voting by Proxy

Shareholders may also appoint a proxy such as a bank, a shareholder association or some other third party, after granting of a power of attorney, to exercise their voting rights at the General Meeting. Shareholders who are represented by a proxy must also register in good time and be listed in the share register as outlined above.

If neither a bank nor a shareholder association nor persons, institutions, companies or associations treated as equivalent pursuant to Section 135 para. 8 and Section 135 para. 10 in conjunction with Section 125 para. 5 AktG are appointed as proxies, the granting of the power of attorney, its revocation and the evidence of the authorisation provided to the company must be in text form.

No text form is required if banks, shareholder associations or persons, institutions, companies or associations treated as equivalent pursuant to Section 135 para. 8 and Section 135 para. 10 in conjunction with Section 125 para. 5 AktG are appointed as proxies. However, a verifiable record of the relevant power of attorney must be kept by the proxy in such case. Further details can be found in the statutory provisions, in particular Section 135 AktG. We therefore ask shareholders who wish to appoint a bank, a shareholder association or persons, institutions, companies or associations treated as equivalent pursuant to Section 135 para. 8 and Section 135 para. 10 in conjunction with Section 125 para. 5 AktG as proxy to agree the form of the power of attorney with the relevant person to be appointed as proxy.

If a shareholder appoints more than one person as proxy, the company may reject one or more of said persons.

Shareholders wishing to appoint a proxy may send the evidence of the authorisation in text form to one of the addresses listed in item 2 above (postal address, fax number or email address). In addition, a form of proxy is available for download on the company website at <http://investoren.vonovia.de/agm>. Shareholders can alternatively grant power of

attorney online by using the service provided at the Internet address listed above.

This evidence may also be presented at the entry and exit point to the General Meeting on the day of the General Meeting. Further details regarding the proxy appointment process can be found on the Company's website at <http://investoren.vonovia.de/agm>.

Process of Voting by Proxies designated by the Company

In addition, as a service to its shareholders, the company has appointed Ms Claudia Schneckenburger and Ms Sabrina Romes, both of HCE Haubrok AG, Munich, Germany, as the company proxies, to whom shareholders can likewise grant authority to exercise their voting rights.

The company proxies are obliged to vote in accordance with their instructions; they may not exercise the voting rights at their own discretion. Please note that the company proxies may only exercise voting rights with regard to the items of the agenda for which the shareholders issue clear instructions and that the company proxies may neither receive instructions for motions before nor during the General Meeting. The company proxies may likewise not be requested to speak, to lodge

objections to General Meeting resolutions or to raise questions or file motions.

Such power of attorney with instructions for the company proxies may be granted ahead of the General Meeting by means of the form of proxy provided with the registration form. In addition, a form of proxy is available for download on the company website at <http://investoren.vonovia.de/agm>. Shareholders can alternatively grant power of attorney online by using the service provided at the Internet address listed above.

The proxy and instructions issued to the company proxies must be received by them by **Wednesday, 11 May 2016 at 24:00 (CEST)**; they require written form. The power of attorney and the instructions to the proxies designated by the Company must be submitted by post, fax or electronically (by email) as follows:

postal address:

Vonovia SE
c/o HCE Haubrok AG
Landshuter Allee 10
80637 Munich

or

fax number:

+49 (0) 89 210 27 288

or

email address:

vollmacht@hce.de

or

online at

<http://investoren.vonovia.de/agm>

In all of these cases, the time of receipt of the power of attorney and of the instructions, the amendment or the revocation by the company is decisive.

On the day of the General Meeting, powers of attorney and instructions to the company proxies can be issued, amended or revoked in writing at the entry and exit points to the General Meeting.

If an individual vote is taken on an item on the agenda without any notification of such vote prior to the General Meeting, the instruction granted in relation to said item of the agenda shall apply accordingly to each item of the individual vote.

A shareholder or an authorised third party attending the General Meeting in person constitutes the automatic revocation of the power of attorney and instructions issued to the company proxies.

4. Voting by Postal Ballot

Shareholders may vote by postal ballot without attending the General Meeting. When exercising voting rights by postal ballot, the following conditions must be observed:

Postal votes may be submitted, amended or revoked by either contacting the company in text form at one of the addresses listed above for registrations or directly online by using the Internet services at <http://investoren.vonovia.de/agm> by **24:00** (CEST) **on Wednesday, 11 May 2016**. In all of these cases, the time of receipt of the postal vote by the company is decisive.

Please note that postal voting may only be used to vote on motions in relation to which resolution proposals from the Management Board and/or Supervisory Board pursuant to Section 124 para. 3 AktG or from shareholders pursuant to Section 124 para. 1 AktG are published together with this Invitation or later, or which are made public in accordance with Sections 126 and 127 AktG.

Authorised banks and other equivalent persons and institutions (such as shareholder associations) treated as equivalent pursuant to Section 135 para. 8 or para. 10 AktG may also avail themselves of postal voting.

If an individual vote is taken on an item on the agenda without any notification of such vote prior to the General Meeting, the postal vote cast in relation to said item of the agenda shall apply accordingly to each item of the individual vote.

A shareholder or an authorised representative attending the General Meeting in person constitutes the automatic revocation of the postal votes already cast.

5. Other Shareholders' Rights

- a) Shareholders' Motions to add Items to the Agenda pursuant to Art. 56 sent. 2 and sent. 3 SE Regulation, Section 50 para. 2 of the German SE Implementation Act (SEAG) and Section 122 para. 2 AktG

One or more shareholders whose shares jointly equate to five per cent of the share capital or to the sum of EUR 500,000.00 (this being equivalent to 500,000 shares) may demand that items be added to the agenda and made public. This quorum is required

for requests to add items to the agenda made by shareholders of a European company (SE) pursuant to Art. 56 sent. 3 SE Regulation in conjunction with Section 50 para. 2 SEAG; Section 50 para. 2 SEAG corresponds to the rules stipulated in Section 122 para. 2 AktG.

Each new item must be accompanied by a reason or a proposed resolution.

Such requests to add items to the agenda must be addressed to the Management Board in writing and must be received by the company at least 30 days in advance of the meeting; the date of receipt and the date of the General Meeting are not to be included in this calculation. The deadline for the receipt of such requests is therefore **24:00 (CEST) on Monday, 11 April 2016**. Requests received subsequently will not be considered.

We ask that any requests to add items to the agenda be submitted to the following address:

Vonovia SE
- Management Board -
Philippstraße 3
44803 Bochum

Additions to the agenda that are to be published shall be published in the Federal Gazette immediately after receipt. They shall

also be published on the company's website at <http://investoren.vonovia.de/agm> and the shareholders shall be notified of them in accordance with Section 125 para. 1 sent. 3 and para. 2 AktG.

b) Shareholders' Countermotions pursuant to Section 126 AktG

Every shareholder has the right to file a countermotion in the General Meeting in relation to specific items of the agenda to contest proposals made by the Management Board and/or Supervisory Board.

Countermotions received by the company at the address below at least 14 days prior to the Annual General Meeting, with the day of receipt and the date of the meeting not being included in this calculation, in other words by **24:00 (CEST) on Wednesday, 27 April 2016** at the latest, shall be immediately published on the company's website at <http://investoren.vonovia.de/agm> together with the shareholder's name, their justification and any statement made by the management (cf. Section 126 para. 1 sent. 3 AktG). Countermotions without justification need not be published.

Section 126 para. 2 AktG stipulates reasons that might warrant a countermotion and its justification not being published on the

Company's website. These are outlined on the Company's website at <http://investoren.vonovia.de/agm>. A justification is, in particular, not required to be published if its total length is more than 5,000 characters.

Countermotions must be submitted together with their justifications to the following address only:

Vonovia SE
 - Legal Department -
 Philippstraße 3
 44803 Bochum
 fax number: +49 (0) 234 314 1508
 email address:
hauptversammlung@vonovia.de

Countermotions sent to any other address need not be published.

c) Shareholders' Appointment Proposals pursuant to Section 127 AktG

Every shareholder has the right to make proposals regarding the appointment of the auditors (item 5 of the agenda) and the appointment of members of the Supervisory Board (item 6 of the agenda) during the Annual General Meeting.

Shareholders' appointment proposals received by the company at the address below at least 14 days prior to the Annual General Meeting, with the day of receipt and the date of the meeting not being included in this calculation, in other words by **24:00 (CEST) on Wednesday, 27 April 2016** at the latest, shall be immediately published on the company's website at <http://investoren.vonovia.de/agm>. Shareholders' appointment proposals need not be published if they do not include the name, the profession and the place of residence of the individual being put forward. Appointment proposals need not be justified.

Other reasons why appointment proposals made by shareholders are not required to be published on the company's website are stipulated in Section 127 sent. 1 AktG in conjunction with Section 126 para. 2 and Section 127 sent. 3 in conjunction with Section 124 para. 3 sent. 4 and Section 125 para. 1 sent. 5 AktG. These are outlined on the company's website at <http://investoren.vonovia.de/agm>.

Appointment proposals must be submitted to the following address only:

Vonovia SE
 - Legal Department -
 Philippstraße 3
 44803 Bochum
 fax number: +49 (0) 234 314 1508
 email address:
hauptversammlung@vonovia.de

Appointment proposals sent to any other address need not be published.

d) Shareholders' Rights to Information

Pursuant to Section 131 para. 1 AktG, the Management Board must, upon request, provide each shareholder with information at the General Meeting regarding the company's affairs insofar as such information is necessary for the proper assessment of an item of the agenda. This obligation to provide information on the part of the Management Board applies equally to the company's legal and business relations with an affiliated company, the Group's situation and the companies included in the consolidated financial statements.

Under certain circumstances outlined in Section 131 para. 3 AktG, the Management Board

may refuse to disclose information. Details regarding the conditions pursuant to which the Management Board is entitled to refuse to disclose information can be found on the company's website at <http://investoren.vonovia.de/agm>.

e) Further Explanations

Further explanations on shareholders' rights pursuant to Art. 56 sent. 2 and sent. 3 SE Regulation, Section 50 para. 2 SEAG, Section 122 para. 2, Section 126 para. 1, Section 127 and Section 131 para. 1 AktG are available on the company's website at <http://investoren.vonovia.de/agm>.

6. Publication on the Website/Supplementary Information pursuant to Section 124a AktG

Information and documentation pursuant to Section 124a AktG, including the convocation of the Annual General Meeting and the Annual Report 2015, information on the candidates proposed in item 6 of the agenda for election to the Supervisory Board or confirmation, as well as other documents, motions and other information is available on the Internet at <http://investoren.vonovia.de/agm> as from the date of convocation of the Annual General Meeting.

All information that is required to be made accessible to the Annual General Meeting by law will be accessible also at the Annual General Meeting on Thursday, 12 May 2016.

Any shareholders' countermotions, appointment proposals or requests to add items to the agenda subject to mandatory publication and received by the company within the deadlines stated above shall likewise be published on the above-mentioned website.

Düsseldorf/Bochum, March 2016

Vonovia SE

The Management Board

Annex

to the Invitation to the
2016 Annual General Meeting
of Vonovia SE
on Thursday, 12 May 2016
at 10am (CEST)

Vonovia SE

Düsseldorf

ISIN DE000A1ML7J1

WKN A1ML7J

**Management Board reports on Items 7 and 8 of
the Agenda of the Annual General Meeting of
Vonovia SE on Thursday, 12 May 2016****1. Report by the Management Board on Item 7
(Resolution regarding the Cancellation of the
Authorised Capital 2015/II and the existing
Article 5b of the Articles of Association and
the Creation of an Authorised Capital 2016
with the Possibility of Excluding Sharehold-
ers' Subscription Rights and correspondingly
Including a new Article 5b in the Articles of
Association)**

Regarding item 7 of the agenda of the Annual General Meeting of 12 May 2016, the Management Board and Supervisory Board propose the cancellation of the remaining Authorised Capital 2015/II in the amount of EUR 12,266,064.00 and that, in addition to the total remaining Authorised Capital of EUR 65,158,718.00 (Authorised Capital 2013 and Authorised Capital 2015), further authorised capital (Authorised Capital 2016) with the authorisation of excluding subscription rights be approved. Pursuant to Section 203 para. 2 sent. 2 of the German Stock Corporation Act (AktG) in conjunction with Section 186 para. 4 sent. 2 AktG, the Management Board gives the following report regarding item 7 of the agenda of the Annual General Meeting on the reasons for authorising the

exclusion of shareholders' subscription rights with the issuance of new shares.

With the approval of the Supervisory Board, the Management Board made partial use of the authorisation granted by the Extraordinary General Meeting on 30 June 2013 to increase the company's share capital by up to EUR 111,111,111.00 in the period up to 29 June 2018 by issuing up to 111,111,111 new no-par-value registered shares against cash and/or in kind contributions on one or several occasions (Authorised Capital 2013), increasing the share capital by a total of EUR 109,210,321.00 by means of the capital increases carried out in March and October 2014 as well as in March and May 2015.

Furthermore, with the approval of the Supervisory Board, the Management Board made partial use of the authorisation granted by the Annual General Meeting on 30 April 2015 to increase the company's share capital by up to EUR 170,796,534.00 in the period up to 29 April 2020 by issuing up to 170,796,534 new no-par-value registered shares against cash and/or in kind contributions on one or several occasions (Authorised Capital 2015), increasing the share capital by a total of EUR 107,538,606.00 by means of the cash capital increase with indirect subscription

rights for the shareholders carried out in July 2015.

To date, the Management Board has not used the authorisation granted to it by the Extraordinary General Meeting (Article 5b of the Articles of Association) on 30 November 2015, for reason of the takeover being considered of Deutsche Wohnen AG, to increase the company's share capital by up to EUR 12,266,064.00 in the period up to 30 November 2016 with the consent of the Supervisory Board by issuing up to 12,266,064 new no-par-value registered shares against cash and/or in kind contributions on one or several occasions (Authorised Capital 2015/II).

Germany's residential property market is characterised by stiff competition for attractive residential property portfolios. The company is therefore dependent on being able to flexibly increase its own funds quickly and comprehensively. Therefore, new additional authorised capital in addition to the remaining Authorised Capital 2013 and the remaining Authorised Capital 2015 is to be approved and the Articles of Association shall be amended accordingly. Authorised Capital 2015/II is to be cancelled.

The new authorised capital (Authorised Capital 2016) proposed in item 7 of the agenda of the Annual General Meeting of 12 May 2016, is designed to enable the Management Board, with the approval of the Supervisory Board, to increase the company's share capital by up to EUR 167,841,594.00 in the period up to 11 May 2021, by issuing up to 167,841,594 new no-par-value registered shares against cash and/or in kind contributions on one or several occasions. The volume of the new Authorised Capital 2016 is therefore approximately 36.02 % of the company's current share capital. Together with the remaining Authorised Capital 2013 and the Authorised Capital 2015 and in accordance with the legally stipulated maximum amount permissible, the authorised capital at the Management Board's disposal would therefore equate to 50 % of the company's current share capital.

The purpose of the Authorised Capital 2016 is to enable the company to continue to raise the capital required for the further development of the company at short notice by issuing new shares and to give it the flexibility to benefit from a favourable market environment at short notice in order to cover its future financing requirements. As the decisions regarding covering future capital requirements generally need to be made at short notice, it is important that the company is not dependent on the

rhythm of the annual general meetings or on the long notification period for convening an extraordinary general meeting. The legislator has accommodated these circumstances with the instrument of "authorised capital".

When using the Authorised Capital 2016 in order to issue shares in return for cash contributions, the shareholders are in principle entitled to a subscription right (Section 203 para. 1 sent. 1 in conjunction with Section 186 para. 1 AktG), with an indirect subscription right within the meaning of Section 186 para. 5 AktG also sufficient. The issuance of shares coupled with the granting of such an indirect subscription right is, by law, not to be classified as the exclusion of subscription rights as the shareholders are awarded the same subscription rights as with a direct subscription. For technical reasons, just one or more banks or one or more undertakings operating pursuant to Section 53 para. 1 sent. 1 or Section 53b para. 1 sent. 1 or para. 7 of the German Banking Act (KWG) will be involved in the handling thereof.

Nonetheless, with the approval of the Supervisory Board, the Management Board shall be authorised to exclude subscription rights under certain circumstances.

- (i) With the approval of the Supervisory Board, the Management Board shall be authorised to exclude subscription rights for fractional amounts. The purpose of this subscription rights exclusion is to facilitate an issuance fundamentally involving shareholder subscription rights, as it results in a subscription ratio which is technically feasible. The value of each shareholder's fractional amount is generally low and as such their potential dilutive effect is also deemed to be low. In contrast, the cost of an issue without such an exclusion is considerably greater. The exclusion therefore makes the issue more practicable and easier to implement. New 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.
- (ii) Furthermore, the Management Board shall be authorised, with the approval of the Supervisory Board, to exclude subscription rights insofar as is neces-

sary to grant the holders/creditors of convertible bonds, warrant bonds, profit participation rights and/or participating bonds (or combinations thereof) (hereinafter collectively "bonds") subscription rights to new shares. 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 new shares issued in subsequent share issuances and on the basis of other specific measures. They 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 implement 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 authorisation 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 great inflow of funds and is therefore in the interests of the company and its shareholders.

(iii) Subscription rights may additionally be excluded in the case of cash capital increases provided that the shares are issued at a price that does not significantly undercut the stock market price and such a capital increase does not exceed 10 % of the share capital (simplified exclusion of subscription rights pursuant to Section 186 para. 3 sent. 4 AktG). The authorisation enables the company to react flexibly to favourable capital market situations and to issue new shares very quickly, i.e. without meeting the requirement of a two week subscription offer period. The exclusion of subscription rights enables the Company to act quickly and to place shares close to the stock market price, i.e. without the general discount required in connection with subscription right issuances. This creates the parameters for achieving the highest possible disposal amount and for the greatest possible strengthening of the company's equity. The authorisation of the simplified exclusion of subscription rights is objectively justified not only by the fact that a greater cash inflow can often be achieved as a result.

Such a capital increase must not exceed 10 % of the share capital in existence neither at the time the authorisation

becomes effective nor at the time it will be exercised. The resolution proposal also provides for a deduction clause. The company's treasury shares that are sold during the term of this authorisation subject to the exclusion of shareholders' subscription rights pursuant to Section 71 para. 1 no. 8 sent. 5 halfsentence 2 in conjunction with Section 186 para. 3 sent. 4 AktG are to be included in the 10 % cap on the share capital that concerns this exclusion of subscription rights. Any shares already issued or to be issued to satisfy bonds with conversion or option rights or obligations are also to be included in this 10 % cap on the share capital, insofar as these bonds were issued during the term of this authorisation subject to the exclusion of subscription rights pursuant to Section 186 para. 3 sent. 4 AktG. Shares issued during the term of this authorisation pursuant to Section 186 para. 3 sent. 4 AktG on the basis of other corporate action and subject to the exclusion of shareholders' subscription rights, particularly those under Authorised Capital 2013 and Authorised Capital 2015, are likewise to be included in this 10 % cap on the share capital. This inclusion is effected in line with the shareholders' interests that their investments be diluted as little as possible. The upper

limit, decreased under the preceding inclusion clause, shall be increased again pursuant to or in line with Section 186 para. 3 sent. 4 AktG when the Annual General Meeting resolution on new authorisation to exclude shareholder subscription rights becomes effective after the decrease, to the extent of the new authorisation, but up to a maximum of 10 % of the share capital in accordance with the stipulations of sentence 1 of this paragraph. This is because in this case (or cases), the Annual 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. When the new authorisation on the simplified exclusion of subscription rights comes into force, the ban regarding the authorisation for issuing the bonds without shareholder subscription rights that came into being by means of the use of the authorisation for issuing of new shares or for issuing bonds or by means of the sale of the company's own shares will namely be cancelled. On the basis of the identical majority requirements for such a resolution, the renewed authorisation for the simplified exclusion of subscription rights will at the same time also contain – insofar as the statutory requirements are observed –

a confirmation regarding the authorisation resolution on the creation of the Authorised Capital 2016. In the event of authorisation for excluding subscription rights in direct or analogous application of Section 186 para. 3 sent. 4 AktG being used again, inclusion shall occur again.

The simplified exclusion of subscription rights is conditional to the issue price for the new shares not being significantly below the stock market price. Subject to specific circumstances in individual cases, any reduction compared with the current stock market price or a volume-weighted stock market price over an appropriate number of trading days prior to the definitive determination of the issue price may not exceed approximately 5 % of the stock market price in question. This takes into account the shareholders' need for protection from a dilution of the value of their investments. Determining an issue price close to the stock market price ensures that the value of subscription rights for the new shares would, in practical terms, be very low. The shareholders have the opportunity to maintain their relative investments by effecting additional stock market purchases.

(iv) Subscription rights may also be excluded in the event of capital increases against contributions in kind. The company should remain able to acquire in particular – but not only – 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 (including receivables), properties and property portfolios relating to an intended acquisition or to respond to offers of acquisitions or mergers in order to strengthen its competitiveness and to boost its profitability and its enterprise value. The exclusion of subscription rights should also serve to satisfy convertible bonds and/or warrant bonds or combinations thereof issued against contributions in kind. Practice has shown that shareholders in attractive acquisition properties 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. From the point of view of an optimum financing structure, another argument in favour of offering a consideration not only as cash payments, but also or exclusively in the form of shares is that, based on the degree to which new shares can be used as an acquisition curren-

cy, the company's liquidity is protected, borrowing is avoided and the buyer(s) participate in future price development opportunities. This improves the company's competitive position in the event of acquisitions.

The option of using company shares as an acquisition currency gives the company the necessary scope to exploit such acquisition opportunities quickly and flexibly and enables it to acquire even large units in exchange for the granting 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, subject to the approval of the Annual General Meeting, which only convenes once a year. Authorised capital is needed which the Management Board can avail itself of quickly with the approval of the Supervisory Board.

The same applies to satisfying conversion and option rights or obligations relating to bonds likewise issued for the purpose of

acquiring companies, parts of companies, shareholdings in companies and other assets and subject to the exclusion of shareholders' subscription rights on the basis of the authorisation granted pursuant to item 8 of the agenda of the Annual General Meeting on 12 May 2016. The shares are issued against contributions in kind, either in the form of the bond being contributed or in the form of consideration in kind relating to the bond. This leads to an increase in the company's flexibility while satisfying the conversion or option rights or obligations. Offering bonds in lieu of or in addition to granting shares or cash payments can represent an attractive alternative that increases the company's competitive chances in acquisitions due to their additional flexibility. The shareholders are protected by the subscription rights to which they are entitled when bonds with conversion or option rights or obligations are issued.

The instances in which subscription rights for bonds with conversion rights and obligations may be excluded are outlined in the report relating to item 8 of the agenda of the Annual General Meeting on 12 May 2016. If the opportunity presents itself to merge with other companies or to acquire companies, parts of compa-

nies, shareholdings in companies or other assets, the Management Board shall, in each case, carefully consider whether it should exercise its authority to effect a capital increase by granting new shares. This includes, in particular, determining the valuation ratio of the company and the acquired company investment or other assets and determining the new shares issue price and the other share issue conditions. The Management Board shall only use the authorised capital 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 new shares is in the best interests of the company and its shareholders. The Supervisory Board shall only grant its necessary approval if it has reached the same conclusion.

- (v) In addition, subscription rights can be excluded in relation to the issue of 2,500,000 new no-par-value registered shares to issue shares to the employees of the company or of affiliated companies within the meaning of Section 15 AktG to the exclusion of the members of the company's Management Board and Supervisory Board and the members of the management boards, supervisory boards and other bodies of affiliated

companies. This gives the company the opportunity to acknowledge the achievements of its employees and of the employees of its affiliated companies within the meaning of Section 15 AktG by issuing shares, and to thus allow the employees to participate in the company's success. This is also in the interests of the shareholders. Only if shareholders' subscription rights are excluded the company can issue shares to its employees. In contrast, the shareholders have the opportunity to maintain their share of the company's share capital at all times by effecting additional stock market purchases.

The above authorisations (i) to (v) to exclude subscription rights in the event of capital increases against cash and/or in kind contributions are limited to an amount not exceeding 20 % of the share capital, either at the time at which this authorisation becomes effective or at the time at which it is exercised. The above 20 % cap is also to include treasury shares sold during the term of this authorisation subject to the exclusion of subscription rights and any shares issued to satisfy bonds, insofar as the bonds were issued subject to the exclusion of shareholders' subscription rights during the term of this authorisation due to the authorisation stipulated in item 10 of the agenda of the Annual General Meeting of 30 April 2015

or subject to the exclusion of shareholders' subscription rights during the term of this authorisation due to the authorisation stipulated in item 8 of the agenda of the Annual General Meeting of 12 May 2016. Shares issued during the term of this authorisation pursuant to Section 186 para. 3 sent. 4 AktG on the basis of other corporate action and subject to the exclusion of shareholders' subscription rights, particularly those under Authorised Capital 2013 and Authorised Capital 2015, are likewise to be included in this aforementioned 20 % cap on the share capital. This restriction also limits the potential dilution of the voting rights of the shareholders in relation to whom subscription rights have been excluded. The cap, decreased under the preceding inclusion clause, shall be increased again when the Annual General Meeting resolution on new authorisation to exclude shareholder subscription rights becomes effective after the decrease, to the extent of the new authorisation, but up to a maximum of 20 % of the share capital in accordance with the stipulations of sentence 1 of this paragraph. This is because in this case (or cases), the Annual 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 all of these circumstances having been considered, the authorisation to exclude subscription rights within

the limits outlined is necessary, suitable, appropriate and in the interests of the company.

Insofar as the Management Board fully exercises one of the aforementioned authorisations to exclude subscription rights in relation to a capital increase from the Authorised Capital 2016 within a single financial year, it shall report on this in the subsequent Annual General Meeting.

2. Management Board Report regarding Item 8 of the Agenda (Resolution regarding the Cancellation of the existing Authorisation to issue Convertible Bonds, Warrant Bonds, Profit Participation Rights and/or Participating Bonds (or Combinations thereof) and of the Conditional Capital 2015 as well as regarding the Granting of a new Authorisation to issue Convertible Bonds, Warrant Bonds, Profit Participation Rights and/or Participating Bonds (or Combinations thereof) with the Option of Excluding Subscription Rights, regarding the Creation of a Conditional Capital 2016 and the corresponding Amendment of Article 6 of the Articles of Association)

With regard to item 8 of the agenda of the Annual General Meeting held on 12 May 2016, the Management Board and Supervisory Board propose that the existing authorisation

to issue option rights, warrant or convertible bonds, profit participation rights and participating bonds (or combinations thereof) (hereinafter also referred to collectively as "bonds") and the corresponding Conditional Capital 2015 be cancelled and that a new authorisation be granted and new conditional capital (Conditional Capital 2016) created with the authorisation to exclude subscription rights. Pursuant to Section 221 para. 4 sent. 2 AktG in conjunction with Section 186 para. 4 sent. 2 AktG, the Management Board gives this report regarding item 8 of the agenda of the Annual General Meeting on the reasons for authorising the exclusion of shareholders' subscription rights.

With the approval of the Supervisory Board, the Management Board was authorised by resolution of the Annual General Meeting of 30 April 2015 to grant the bond creditors/holders conversion or option rights, warrant or convertible bonds option bonds, profit participation rights and/or participating bonds (or a combination thereof) (hereinafter collectively "2015 authorisation") on one or several occasions up to 29 April 2020, up to an aggregate nominal amount of EUR 5,311,000,000.00 and to grant the holders or creditors option or conversion rights for shares in the company with a proportionate amount of up to EUR 177,053,114.00 of the share capital. The

conditional capital 2015 of EUR 177,053,114.00 was created to satisfy the 2015 authorisation (Article 6 para. 2 of the Articles of Association); this sum has remained unchanged up to the day on which the invitations to this Annual General Meeting were published.

Among other things in order to increase flexibility, the Management Board and Supervisory Board consider it to be expedient to cancel the existing 2015 authorisation and the existing Conditional Capital 2015 and to replace them with a new authorisation and new conditional capital (Conditional Capital 2016). To be able to make use of the array of possible market instruments to securitise the conversion and option rights, it is considered to be appropriate to set the permissible issue volume at EUR 6,990,009,360.00 in the authorisation and to issue the authorisation for a term of five years up to 11 May 2021. The Conditional Capital that serves to satisfy the conversion and option rights is to be EUR 233,000,312.00 (this corresponds to 50 % of the company's current share capital). This conditional capital ensures that the issue volume authorisation scope can likewise be used. The number of shares required to satisfy conversion or option rights or obligations or to grant shares in lieu of the cash sum due on a bond with a specific issue volume generally depends on the stock market price of the company's share at the

time at which the bond is issued. If sufficient conditional capital is available, the possibility of making full use of the scope of the authorisation for the issue of bonds is guaranteed.

Advantage of such Financing Instruments

An appropriate capital base is essential for the company's development. Depending on the market situation, by issuing convertible and warrant bonds, the company can make use of attractive financing options in order to generate low-interest capital inflows for the company. By issuing profit participation rights with conversion or option rights, the rate of return can also be based on, for example, the company's current dividend. The company benefits from the conversion and option premiums generated by the issue. Practice has shown that a number of financial instruments cannot be placed until option and conversion rights are granted.

Conversion or Option Price

With the exception of instances involving an option or conversion obligation, the conversion or option price to be determined for a share must equate either to at least 80 % of the arithmetic mean of the share's closing prices in XETRA trading (or a comparable successor system) on the ten (10) trading days in

Frankfurt am Main prior to the day on which the Management Board makes its definitive decision regarding the issuing of bonds or regarding the company's acceptance or allocation in relation to the issuing of bonds or - in the event that subscription rights are granted - to at least 80 % of the arithmetic mean of the share's closing prices in XETRA trading (or a comparable successor system) in the course of (i) the days on which the subscription rights are traded on the Frankfurt Stock Exchange, with the exception of the final two days of subscription rights trading, or (ii) the days from the start of the subscription period up to the point in time at which the subscription price is definitively determined. Section 9 para. 1 and Section 199 AktG remain unaffected. In the case of bonds involving conversion or option rights or obligations, notwithstanding Section 9 para. 1 and Section 199 AktG, the conversion or option price may be reduced by virtue of an anti-dilution provision following more detailed specification of the conditions if the company increases the share capital during the conversion or option period while granting its shareholders subscription rights or if the company issues other bonds or grants or guarantees any other option rights without granting the holders of bonds with conversion or option rights or obligations subscription rights in the same volume as said holders would be entitled to upon exercising

their conversion or option rights or fulfilling their conversion or option obligations. Subject to the details of the conditions of the bonds, the option or conversion price may also be reduced by virtue of a cash payment when exercising the option or conversion right or fulfilling the conversion or option obligations. The conditions may also allow for a value-preserving amendment to the conversion or option price in relation to other measures which may lead to the dilution of the value of the conversion or option rights (e.g. including the payment of a dividend). In any case, the proportion of the share capital attributable to the shares received per partial bond may not exceed the nominal amount of each partial bond.

Shareholder Subscription Rights and the Exclusion of Subscription Rights

The shareholders must in principle be granted subscription rights for the bonds when bonds are issued (Section 221 para. 4 in conjunction with Section 186 para. 1 AktG).

The Management Board may make use of the possibility to issue bonds to one or several credit institution(s) or one or several enterprise(s) operating pursuant to Section 53 para. 1 sent. 1 or Section 53b para. 1 sent. 1 or para. 7 of the German Banking Act

(KWG) with the obligation to indirectly offer the bonds to the shareholders for subscription in accordance with their subscription right (known as an indirect subscription right pursuant to Section 186 para. 5 AktG). This does not constitute a limitation of the shareholders' subscription rights as the shareholders are awarded the same subscription rights as with a direct subscription. For technical reasons, just one or more banks will be involved in the handling of this.

Nonetheless, with the approval of the Supervisory Board, the Management Board may exclude subscription rights under certain circumstances:

- (i) With the approval of the Supervisory Board, the Management Board shall be authorised to exclude subscription rights for fractional amounts. The purpose of this subscription rights exclusion is to facilitate an issuance fundamentally involving shareholder subscription rights, as it results in a subscription ratio which is technically feasible. The value of each shareholder's fractional amount is generally low and as such their potential dilutive effect is also deemed to be low. In contrast, the cost of an issue without such an exclusion is considerably greater. The exclusion therefore makes the issue more practicable and easier to implement. 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.
- (ii) With the approval of the Supervisory Board, the shareholders' subscription rights shall be excluded in order to grant bond holders/creditors subscription rights in the same volume as said holders would be entitled to upon exercising their conversion or option rights or fulfilling their conversion or option obligations. This allows subscription rights to be granted to holders/creditors of bonds already issued or to be issued as an anti-dilution measure in lieu of a reduction in the option or conversion price. Incorporating such anti-dilution measures into bonds is standard market procedure.
- (iii) The Management Board, in accordance with the application of Section 186 para. 3 sent. 4 AktG, is also authorised with the approval of the Supervisory Board to exclude subscription rights against a cash contribution when issuing bonds if the issue price of the bonds does not significantly undercut their fair value. This can

be expedient to exploit favourable stock market situations at short notice and to be able to place a bond in the market quickly and flexibly with attractive conditions. As the stock markets can be volatile, achieving as advantageous an issue result as possible is often heavily dependent on whether it is possible to respond to market developments at short notice. Favourable conditions that are as market-based as possible can in principle only be set if the company is not tied to them for an overly long offer period. In the case of subscription right issues, a considerable margin of safety is generally required in order to safeguard the chances of success of the issue for the entire offer period. Section 186 para. 2 AktG does permit the subscription price (and in the case of warrant and convertible bonds, therefore also the bond conditions) to be publicised up to the third last day of the subscription period. However, in view of the volatility of the stock markets, this still results in market risk lasting a number of days, resulting in margins of safety being applied when determining the bond conditions. Furthermore, if subscription rights are granted, placement with third parties is made more difficult/involves additional work due to the uncertainty of their exercise (subscription behaviour). After all, if

subscription rights are granted, the company is unable to react at short notice to changes in the market conditions due to the length of the subscription period, and this can lead to less favourable capital procurement for the company.

The shareholders' interests are protected by the bonds not being issued significantly below their fair value. The fair value is to be calculated on the basis of recognised valuation principles. When setting the price while taking into account the capital market situation in question, the Management Board will keep the reduction compared with the fair value as low as possible. This results in the accounting par value of the subscription rights being so low that the shareholders are not subject to any significant economic disadvantage as a result of the exclusion of subscription rights.

The market-oriented setting of the conditions and thus the avoidance of any significant value dilution can also be achieved if the Management Board effects a book-build. This process involves the investors being requested to submit purchase orders on the basis of preliminary bond conditions, in the process specifying what they consider to be, for example, the mar-

ket-oriented interest rate and/or other economic components. At the end of the bookbuilding period, the conditions not yet fixed, such as the interest rate, are set in accordance with supply and demand as determined on the basis of the purchase orders submitted by the investors. In this way, the bonds' total value is determined in a market-based manner. A bookbuild allows the Management Board to ensure that no significant dilution of the value of the shares will be caused by the exclusion of subscription rights.

The shareholders additionally have the opportunity to maintain their share of the company's share capital by effecting stock market acquisitions at almost identical conditions. This appropriately protects their asset interests. The authorisation to exclude subscription rights pursuant to Section 221 para. 4 sent. 2 in conjunction with Section 186 para. 3 sent. 4 AktG only applies to bonds with rights to shares to which no more than 10 % of the share capital is apportioned, either at the time at which this authorisation becomes effective or at the time at which it is exercised. The sale of the company's own treasury shares is to be included in this cap, provided they are sold during the term of this authorisation subject to the

exclusion of subscription rights pursuant to Section 71 para. 1 no. 8 sent. 5 half-sentence 2 in conjunction with Section 186 para. 3 sent. 4 AktG. Furthermore, those shares issued from authorised capital pursuant to Section 203 para. 2 sent. 1 in conjunction with Section 186 para. 3 sent. 4 AktG during the term of this authorisation and subject to the exclusion of shareholders' subscription rights are likewise to be included in this cap. This inclusion is effected in line with the shareholders' interests that their investments be diluted as little as possible. The upper limit, decreased under the preceding inclusion clause, shall be increased again pursuant to or in line with Section 186 para. 3 sent. 4 AktG when the Annual General Meeting resolution on new authorisation to exclude shareholder subscription rights becomes effective after the decrease, to the extent of the new authorisation, 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 Annual 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. When the new authorisation on the

simplified exclusion of subscription rights comes into force, the ban regarding the authorisation for issuing the bonds without shareholder subscription rights that came into being by means of the use of the authorisation for issuing of new shares or by means of the sale of the company's own shares will namely be cancelled. On the basis of the identical majority requirements for such a resolution, the renewed authorisation for the simplified exclusion of subscription rights will at the same time also contain - insofar as the statutory requirements are observed - a confirmation regarding the authorisation resolution on the issuing of bonds under item 8 on the agenda of the Annual General Meeting on 12 May 2016 pursuant to Section 221 para. 4 sent. 2 in conjunction with Section 186 para. 3 sent. 4 AktG. In the event of authorisation for excluding subscription rights in direct or analogous application of Section 186 para. 3 sent. 4 AktG being used again, inclusion shall occur again.

- (iv) Bonds may also be issued against contributions in kind insofar as this is in the interests of the company. In this case, the Management Board is authorised, with the approval of the Supervisory Board,

to exclude the shareholders' subscription rights insofar as the value of the contribution in kind is commensurate to the theoretical fair value of the bonds as determined on the basis of recognised valuation principles. This makes it possible to also use bonds as an acquisition currency in suitable isolated cases, e.g. in conjunction with the acquisition of companies, company investments (this may also be implemented by way of a merger or other transformation law measures) or other commodities. Practice has shown that it is frequently necessary in negotiations to provide the consideration not only in cash, but also or exclusively in some other form. The possibility of offering bonds as a consideration results in an advantage in competition for interesting acquisition properties and offers the necessary scope for exploiting opportunities to acquire companies (even large companies), company investments and other commodities that present themselves without impacting heavily on liquidity. This can also be prudent from the point of view of an optimum financing structure. In any case, the Management Board will carefully consider whether to exercise its authorisation to issue bonds with conversion or option rights or obligations against contributions in kind subject to the exclu-

sion of subscription rights. It will only do so if this is in the interests of the company and therefore also of the shareholders.

The authorisations described in (i) to (iv) above to exclude subscription rights in the event of capital increases against cash and/or in kind contributions are limited to an amount not exceeding 20 % of the share capital, either at the time at which this authorisation becomes effective or at the time at which it is exercised. The above 20 % cap is also to include treasury shares sold during the term of this authorisation subject to the exclusion of subscription rights and any shares issued to satisfy bonds, insofar as the bonds were issued subject to the exclusion of shareholders' subscription rights during the term of this authorisation due to the authorisation stipulated in item 9 of the agenda of the Annual General Meeting of 30 April 2015 or during the term of this authorisation due to the authorisation stipulated in item 7 of the agenda of the Annual General Meeting of 12 May 2016 subject to the exclusion of shareholders' subscription rights. Shares issued during the term of this authorisation pursuant to Section 186 para. 3 sent. 4 AktG on the basis of other corporate action and subject to the exclusion of shareholders' subscription rights, particularly those under Authorised Capital 2013 and Authorised Capital 2015, are likewise to

be included in this 20 % cap on the share capital. This restriction also limits the potential dilution of the voting rights of the shareholders in relation to whom subscription rights have been excluded. The cap, decreased under the preceding inclusion clause, shall be increased again when the Annual General Meeting resolution on new authorisation to exclude shareholder subscription rights becomes effective after the decrease, to the extent of the new authorisation, but up to a maximum of 20 % of the share capital in accordance with the stipulations of sentence 1 of this paragraph. This is because in this case (or cases), the Annual 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 all of these circumstances having been considered, the authorisation to exclude subscription rights within the limits outlined is necessary, suitable, appropriate and in the interests of the company.

Conditional Capital, other Configuration Options

The intended conditional capital serves to fulfil the conversion or option rights or obligations relating to bonds issued for company shares or to grant the creditors/holders of bonds shares in the company in lieu of payment of the cash sum due. The bond terms and

conditions could also provide that conversion or option rights or obligations can instead be satisfied by means of the provision of treasury shares or shares from authorised capital or by means of other consideration, such as by means of cash payment or the supply of shares from other listed undertakings. The bond conditions may also stipulate that the number of shares received upon exercising the conversion or option rights or upon fulfilling the conversion or option obligations is variable and/or that the conversion or option price may be amended during the time to maturity within a range stipulated by the Management Board dependent on the share price developments or as a result of anti-dilution provisions. These configurations enable the company to access financing that is closely linked to the capital markets without actually necessitating capital measures under corporate law. This takes account of the fact that an increase in the share capital may be unwelcome in future when exercising conversion or option rights or satisfying corresponding obligations. That aside, using the option of a cash payout protects the shareholders from a decline in their stake and from a dilution in their value of their shares, since no new shares are issued. In accordance with the details of the conversion or option terms and conditions, the equivalent to be paid in cash here corresponds to the average

closing price in XETRA trading (or a functionally comparable successor system replacing the XETRA system) at the Frankfurt/Main Stock Exchange on the ten to twenty trading days following the announcement of the cash compensation.

Insofar as the Management Board fully exercises one of the aforementioned authorisations to exclude subscription rights in relation to the issue of bonds within a single financial year, it shall report on this in the subsequent Annual General Meeting.

* * *

Düsseldorf/Bochum, March 2016
Vonovia SE
The Management Board

Directions

Congress Center Düsseldorf
Entrance Stadthalle
Rotterdammer Str. 141
40474 Düsseldorf

Arrival by public transport

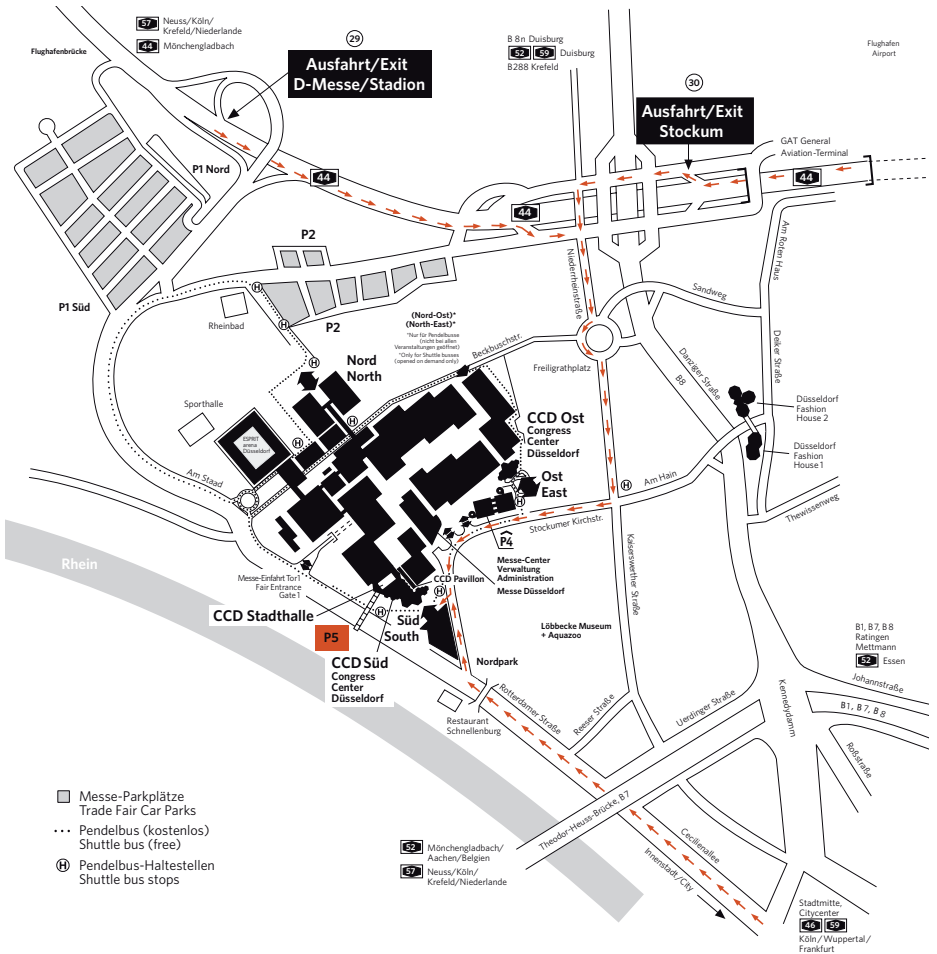
The CCD Congress Center Düsseldorf is easy and quick to reach by underground and bus. The U78/U79 underground lines and 722 bus will take you quickly and conveniently to the CCD Congress Center Düsseldorf. Take the U78 (from the direction of the city centre) and the U79 (from the direction of the city centre, Kaiserswerth, Wittlaer und Duisburg) to the Messe Ost/Stockumer Kirchstrasse stop. From there it is a roughly 15-minute walk, across Stockumer Kirchstrasse, to the CCD Congress Center Düsseldorf. Alternatively you can take the 722 bus to the last stop CCD Süd/Stadthalle.

Arrival by car

From Nord/ East
Leave the A44 motorway at the Düsseldorf Stockum junction and follow the information signs CCD Stadthalle.

From South/ West
Leave the A44 motorway at the Messe/ Arena junction and follow the information signs CCD Stadthalle.

When you reach the immediate congress centre environs, follow the special signs CCD Stadthalle resp. the parking signs P5.



Notes

Notes

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