Annex B
Invitation to the Annual General Meeting
9 May 2018

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

Report by the Management Board on Item 7 (Resolution regarding the Cancellation of the Authorized Capital 2016 and 2017 and the existing Sections 5b and 5c of the Articles of Association and the Creation of an Authorized Capital 2018 with the Possibility of Excluding Shareholders' Subscription Rights and correspondingly Including a new Section 5 in the Articles of Association)

Regarding Item 7 of the Agenda of the Annual General Meeting of 9 May 2018, the Management Board and Supervisory Board propose the cancellation of the remaining Authorized Capital 2016 in the amount of EUR 151,537,704.00 and of the remaining Authorized Capital 2017 in the amount of EUR 66,556,874.00 and that a new authorized capital with the authorization of excluding subscription rights (Authorized Capital 2018) be approved. Pursuant to Section 203 para. 2 sentence 2 of the German Stock Corporation Act (AktG) in conjunction with Section 186 para. 4 sentence 2 AktG, the Management Board gives the following report regarding Item 7 of the Agenda of the Annual General Meeting on the reasons for authorizing 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 authorization granted by the Annual General Meeting on 12 May 2016 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 (Authorized Capital 2016), increasing the share capital by a total of EUR 16,303,890.00 by means of the capital increases carried out in June and July 2017.

To date the Management Board has not used the authorization granted to it by the Annual General Meeting on 16 May 2017 to increase the Company's share capital by up to EUR 66,556,874.00 in the period up to 15 May 2022 with the approval of the Supervisory Board by issuing up to 66,556,874 new no-par-value registered shares against cash and/or in kind contributions on one or several occasions (Authorized Capital 2017).

Therefore, Section 5b of the Articles of Association currently contains an Authorized Capital 2016, that authorizes the Management Board, to increase the Company's share capital by up to EUR 151,537,704.00 with the consent of the Supervisory Board by issuing up to 151,537,704 new no-par-value registered shares against cash and/or in kind contributions on one or several occasions. Section 5c of the Articles of Association currently contains an Authorized Capital 2017, that enables the Management Board, with the approval of the Supervisory Board, to increase the Company's share capital on one or several occasions by up to EUR 66,556,874.00 by issuing up to 66,556,874 new no-par-value registered shares against cash and/or in kind contributions.

Germany's and Austria's residential property market is still characterized by intense competition for attractive residential property portfolios. The Company is therefore dependent on being able to flexibly increase its own funds quickly and comprehensively. Therefore, an increase of the authorized capital up to 50% of the Company's share capital, as permitted by law, is proposed. The structure of the existing authorized capitals shall be revised by way of consolidation and be realized in a new Authorized Capital 2018. Therefore, the Authorized Capital 2016 and Authorized Capital 2017 are to be cancelled.

The new authorized capital (Authorized Capital 2018) proposed in Item 7 of the Agenda of the Annual General Meeting of 9 May 2018, 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 242,550,413.00 in the period up to 8 May 2023, by issuing up to 242,550,413 new no-par-value registered shares against cash and/or in kind contributions on one or several occasions. The volume of the new Authorized Capital 2018 is therefore 50% of the Company's current share capital.

Should the Company's registered share capital change up until the date of the Annual General Meeting, the Management Board and Supervisory Board will submit an appropriately adapted resolution proposal for approval that provides for a nominal amount for the Authorized Capital 2018 that is to be created, which will correspond to 50% of the registered share capital of the Company on the day of the Annual General Meeting.

The purpose of the Authorized Capital 2018 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 favorable 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 "authorized capital".

When using the Authorized Capital 2018 in order to issue shares in return for cash contributions, the shareholders are in principle entitled to a subscription right (Section 203 para. 1 sentence 1 AktG in conjunction with Section 186 para. 1 AktG). The issuance of shares coupled with the granting of an indirect subscription right within the meaning of Section 186 para. 5 AktG 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 sentence 1 the German Banking Act (KWG) or Section 53b para. 1 sentence 1 or para. 7 KWG will be involved in the handling thereof.

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

(i) With the approval of the Supervisory Board, the Management Board shall be authorized 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 authorized, with the approval of the Supervisory Board, to exclude subscription rights insofar as it 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**") 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. The holders/creditors are thus treated as if they were already shareholders. For bonds to feature such an anti-dilution measure, shareholders' subscription rights for these shares have to be excluded. This serves to facilitate the implementation of the issuance of the bonds and is therefore in the interests of the shareholders regarding an optimum financial structure for the Company. Further, the exclusion of subscription rights for the holders/creditors of bonds has the advantage that, in the event that the authorization is exercised, the option or conversion price does not have to be reduced for the holders/creditors of existing bonds in accordance with the corresponding bond conditions. This allows for a 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, in fact – since it is Authorized Capital – neither at the time the authorization becomes effective nor – if this amount is lower – at the time it will be exercised (simplified exclusion of subscription rights pursuant to Section 203 para. 1 and para. 2 AktG and Section 186 para. 3 sentence 4 AktG).

The authorization enables the Company to react flexibly to favorable 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 authorization 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.

The authorization to exclude subscription rights in the event of capital increases must not exceed 10% of the Company's share capital either at the time at which this authorization becomes effective or – if this amount is lower – at the time at which it is exercised.

The resolution proposal also provides for a deduction clause: The Company's own shares that are sold during the term of the authorization subject to the exclusion of shareholders' subscription rights pursuant to Section 71 para. 1 no. 8 sentence 5 half-sentence 2 AktG in conjunction with Section 186 para. 3 sentence 4 AktG are to be included in the 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 cap, insofar as these bonds were issued during the term of this authorization without subscription rights in analogous application of Section 186 para. 3 sentence 4 AktG. Shares issued during the term of this authorization in direct or in analogous application of Section 186 para. 3 sentence 4 AktG on the basis of other corporate action and subject to the exclusion of shareholders' subscription rights 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 when a new authorization to exclude shareholder subscription rights pursuant to or in line with Section 186 para. 3 sentence 4 AktG issued by the General Meeting becomes effective after the decrease, to the extent of the reach of the new authorization, but up to a maximum of 10% of the share capital in accordance with the stipulations of sentence 1 of the respective paragraph. This is because in this case (or cases), the General Meeting again has the opportunity to decide on the simplified exclusion of subscription rights, meaning that the reason for inclusion had ceased to apply. When the new authorization on the simplified exclusion of subscription rights comes into force, the ban regarding the authorization for issuing the bonds without shareholder subscription rights that came into being by means of the use of the authorization for the issuance of new shares or for the issuance of bonds or by means of the sale of the Company’s own shares shall lapse. On the basis of the identical majority requirements for such a resolution, the renewed authorization for the simplified exclusion of subscription rights will at the same time also contain – insofar as the statutory requirements are observed – a confirmation regarding the authorization resolution on the creation of the Authorized Capital 2018. In the event of a subsequent exercise of an authorization to exclude subscription rights in direct or analogous application of Section 186 para. 3 sentence 4 AktG, the deduction shall apply 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 limited to – 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 increase 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 in part 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 currency, the Company's liquidity is protected, leverage 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, depending on the usual annual rhythm of the Annual General Meeting or require an Extraordinary General Meeting, whose preparation and period of convening prevent a swift action. Authorized 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. 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 additionally protected by the subscription rights to which they are in principle entitled when bonds with conversion or option rights or obligations are issued. In case the subscription rights for bonds were excluded, the interests of the shareholders were already taken into account in the assessment by the Management Board and Supervisory Board required in such a case. The instances in which subscription rights for bonds with conversion rights and obligations may be excluded are outlined in the report relating to the issue of the corresponding instruments.

If the opportunity occurs to merge with other companies or to acquire companies, parts of companies, 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 Authorized Capital 2018 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) Subscription rights may also be excluded to issue a share dividend (also known as *scrip dividend*) under which shares of the Company are used (including partially or optionally) to satisfy shareholder dividend claims.

It is intended, in particular, to enable the Company to pay a scrip dividend at ideal conditions. In the case of a scrip dividend, the shareholders are offered to contribute their claim for payment of the dividend, which comes into existence with the resolution of the Annual General Meeting on the appropriation of profits, to the Company, in whole or in part, as contribution in kind, in order to receive new shares in the Company in return. A scrip dividend can be implemented as a genuine share issue with subscription rights, observing, in particular, the provisions in Section 186 para. 1 AktG (minimum subscription period of two weeks) and Section 186 para 2 AktG (announcement of the issue price no later than three days before the expiry of the subscription period). In individual cases, depending on the capital markets situation, it may be preferable to structure the implementation of a scrip dividend in such manner that the Management Board offers to all shareholders who are entitled to dividends, in observance of the general principle of equal treatment (Section 53a AktG), new shares for subscription against contribution of their dividend entitlement and, thus, economically grants the shareholders a subscription right, but to legally exclude the shareholders' subscription right for the new shares in its entirety.

Such an exclusion of the subscription right facilitates the implementation of the scrip dividend without the aforementioned restrictions of Section 186 para. 1 and para. 2 AktG and, thus, at more flexible conditions. In view of the fact that all shareholders will be offered the new shares and excessive dividend amounts will be settled by cash payment of the dividend, an exclusion of the subscription right in such cases appears to be justified and appropriate.

(vi) In addition, subscription rights can be excluded in relation to the issue of 2,500,000 new no-par-value registered shares against cash contribution 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. To simplify the settlement process, the shares may also be subscribed for by a financial institution against cash contribution, in order for the Company to reacquire those shares for an issuance shares to the entitled employees of the Company. 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. Incentivizing the employees by participating in the success of Vonovia shares on the stock exchange is also in the interest of the shareholders. Only if shareholders' subscription rights are excluded the Company can issue shares to its employees. In addition, the shares issued under this authorization, only form a relatively small part of the current Company's share capital (approx. 0.52%). Hence, the shareholders are only slightly diluted and have the opportunity to maintain their share of the Company's share capital at all times by effecting additional stock market purchases.

The above authorizations (i) to (vi) 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 authorization becomes effective or at the time at which it is exercised (if the latter is lower).

The above 20% cap is to include the Company's own shares sold during the term of this authorization subject to the exclusion of subscription rights and any shares issued or to be issued to satisfy bonds, insofar as the bonds were issued subject to the exclusion of shareholders' subscription rights during the term of this authorization. Shares issued during the term of this authorization on the basis of other corporate action and subject to the exclusion of shareholders' subscription rights 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 a new authorization by the General Meeting to exclude shareholder subscription rights becomes effective after the decrease, to the extent of the reach of the new authorization, but up to a maximum of 20% of the share capital in accordance with the above-mentioned stipulations. In this case, the General Meeting again has the opportunity to decide on the exclusion of subscription rights, meaning that the reason for inclusion had ceased to apply.

With these circumstances having been considered, the authorization to exclude subscription rights within the limits outlined is necessary, suitable, appropriate and in the interests of the Company. Insofar as the Management Board exercises one of the aforementioned authorizations to exclude subscription rights in relation to a capital increase from the Authorized Capital 2018 within the financial year, it shall report on this in the subsequent Annual General Meeting.

Bochum, March 2018

The Management Board of Vonovia SE