Annex B
Invitation to the Annual General Meeting
9 May 2018

Vonovia SE, Bochum
ISIN DE000A1ML7J1
WKN A1ML7J

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

Report by the Management Board on Item 10 of the Agenda (Resolution regarding the Authorization for the Company to use derivatives in connection with the repurchase of its own shares as well as on the Exclusion of subscription and tender rights)

Regarding Item 10 of the Agenda of the Annual General Meeting on 9 May 2018, the Management Board and the Supervisory Board propose to authorize the Company, in addition to the authorization to repurchase its own shares pursuant to Section 71 para.1 no. 8 AktG proposed under Item 9 of the Agenda, to acquire its own shares also by using derivatives. In addition to the report on Item 9 of the Agenda, the Management Board gives the following report pursuant to Section 71 para. 1 no. 8 AktG in conjunction with Section 186 para. 4 sentence 2 AktG with regard to Item 10 of the Agenda concerning the exclusion of any tender right of the shareholders in connection with the purchase of own shares by using derivatives and by making reference to the report on Item 9 of the Agenda concerning the exclusion of the subscription right in connection with the sale of repurchased own shares:

Apart from the possibilities of repurchasing own shares as described in Item 9 of the Agenda, the Company shall also be authorized to repurchase its own shares with the use of certain derivatives. This shall not increase the total volume of shares that may be acquired; it is only intended to provide further alternatives for the repurchase of own shares. These additional alternatives for action shall give the Company further possibilities of structuring the acquisition of own shares in a flexible way.

It may be advantageous to the Company to sell put options, to acquire call options, to conclude forward purchase contracts to buy shares or to combine these possibilities instead of directly acquiring shares of the Company. Subject to the proposed authorization, all shares acquired with the use of these possible actions shall be restricted to 5% of the share capital existing at the time when the resolution is passed by the Annual General Meeting (i.e., to a maximum volume of 24,255,041 shares) or – in the event that this amount is lower – of the share capital existing at the time when the relevant authorization is exercised. The term of the individual derivatives in each case is not permitted to exceed 18 months, must end on 8 May 2023 at the latest and must be set in such a way that the acquisition of the Company's shares upon the exercise or fulfillment of the derivatives will take place no later than 8 May 2023. This is to ensure that the Company will not acquire own shares after the expiry of the authorization to repurchase own shares on 8 May 2023 unless a new authorization is granted.

By the conclusion of put options, the Company grants the respective holder of the put option the right to sell shares in the Company to the Company within a specified period or at a specified time at a price specified in the option, the exercise price. As consideration for the obligation to repurchase own shares, the Company receives an option premium to be determined at close-to-market conditions by considering the exercise price, the term of the option and the volatility of the share, among other factors. Exercise of the put option is, as a rule, of financial benefit to the option holder only if the share price at the time when the option is exercised is below the exercise price because the option holder can then sell the share to the Company at a price higher than the one that could be achieved on the market; the Company, in turn, can use hedging instruments available in the market against an material risk that may be involved in the price development. The share repurchase with the use of put options has the advantage for the Company that a specific exercise price can already be fixed upon conclusion of the option transaction. However, there is no cash flow until the day of exercise. From the Company's perspective, the consideration paid for the acquisition of the share is reduced by the option premium. If the option holder does not exercise the option, for example because the share price on the day of exercise or within the period of exercise is above the exercise price, the Company will not acquire own shares in this way, but it will definitely receive the option premium without any further consideration.

When agreeing on a call option, in return for the payment of an option premium, the Company receives the right to buy a predefined number of shares in the Company at a specified price, the exercise price, within a specified period or at a specified time from the relevant seller of the option, the option writer. As a rule, exercise of the call option makes sense for the Company if the share price is above the exercise price because it can then buy the shares from the option writer at a price lower than the market price. The same applies if exercise of the option makes it possible to buy a block of shares that could otherwise be acquired at higher cost only.

Furthermore, the Company's liquidity is protected by using call options because the exercise price of the shares is not payable before the call option is exercised. Again, the option premium is to be determined at close-to-market conditions, that means by considering the exercise price, the term of the option and the volatility of the share, among other factors. From the Company's perspective, when exercising a call option, the consideration paid for the acquisition of the share is increased by the option value. This value could be realized by the Company when the option is not exercised; it is a financial benefit which will thus increase the purchase price as costs when the option is exercised. It also reflects the current value of what was originally paid as option premium and is thus to be taken into account as part of the purchase price of the share.

In the case of a forward purchase contract, the Company acquires shares at a fixed future date, as agreed with the respective forward seller, and at a purchase price agreed at the time the relevant forward purchase contract is entered into. The conclusion of forward purchase contracts is useful if the Company wishes to secure a fixed future demand for its own shares at a certain price level.

When using options, the consideration payable by the Company for the shares is the relevant exercise price (excluding incidental acquisition costs, but taking into account the current value of the option). This exercise price can be higher or lower than the stock market price of the Company's share on the day when the option transaction is concluded and on the day when the shares are acquired due to the exercise of the option. However, upon exercise of the put option or maturity of the forward purchase, the exercise price per share shall not be more than 10% above or 20% below the arithmetical average closing price of shares of the same class in the Xetra trading (or a functionally equivalent successor system taking the place of the Xetra system) on the last three trading days of the Frankfurt Stock Exchange prior to the conclusion of the relevant transaction, excluding incidental acquisition costs, but taking into account the value of the option upon exercise or maturity. The call option may be exercised only if the purchase price to be paid is not more than 10% above and not more than 20% below the arithmetical average closing price of shares of the same class in the Xetra trading (or a functionally equivalent successor system taking the place of the Xetra system) on the Frankfurt Stock Exchange on the last three trading days prior to the acquisition of the shares, excluding incidental acquisition costs, but taking into account the value of the option upon exercise.

The derivatives must be concluded with one or several credit institutions or equivalent companies. The derivative conditions must ensure that the derivatives are satisfied only with shares that were acquired under observance of the general principle of equal treatment (Section 53a AktG) of the shareholders. The acquisition or disposal price paid or received by the Company for derivatives shall not be significantly higher or lower, respectively, than the theoretical market price calculated in accordance with generally accepted actuarial methods. Among other factors, the predetermined exercise price shall be taken into account when determining the theoretical market price.

The close-to-market determination of the exercise price and of the option premium described above as well as the obligation to serve derivatives utilizing only such shares that were previously acquired subject to compliance with the general principle of equal treatment (Section 53a AktG) ensure that shareholders not involved in the derivatives transactions will not suffer any economic disadvantage. On the other hand, the possibility of making agreements on derivatives enables the Company to seize short-term market opportunities and to conclude corresponding derivatives. This gives the Company the necessary flexibility to respond quickly to changing market situations. Any right of the shareholders to conclude such derivatives with the Company as well as any tender right of the shareholders are excluded. This exclusion is required to allow the use of equity derivatives within the scope of the repurchase of own shares and to achieve the advantages associated therewith for the Company. A conclusion of corresponding derivatives with all shareholders would not be feasible.

Therefore, having carefully weighed the interests of shareholders and the Company, and given the advantages to the Company resulting from the use of equity derivatives, the Management Board considers the authorization not to grant or to restrict any right of the shareholders to conclude such equity derivatives with the Company as well as any tender right of the shareholders to be justified.

With regard to the use of own shares acquired by means of equity derivatives, there are no differences as to the potential uses proposed in Item 9 of the Agenda. Therefore, concerning the justification of the exclusion of the shareholders' subscription rights in using the shares, reference is made to the report by the Management Board on Item 9 of the Agenda.

Bochum, March 2018

The Management Board of Vonovia SE