Vonovia SE, Bochum
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<u>Report of the Management Board on the partial utilization of Authorized Capital 2018 under exclusion of shareholders' subscription rights</u>

(Capital Increase through Accelerated Bookbuilding in May 2019 to refinance, among other things, the acquisition of the Swedish portfolio and to finance future growth)

On 13 May 2019 Vonovia SE ("**Vonovia**" or the "**Company**") carried out a capital increase from authorized capital under exclusion of shareholders' subscription rights (the "**Transaction**").

In this regard, the Management Board resolved, on 13 May 2019, to increase the share capital of the Company through utilization of the authorized capital pursuant to section 5 of the Articles of Association (the "**Authorized Capital 2018**") by EUR 16,500,000.00 against cash contributions by issuing 16,500,000 new no-par value registered shares with a notional value of EUR 1.00 per share (the "**New Shares**") and an issue price of EUR 1.00 per share with dividend rights from 1 January 2019 (the "**Capital Increase**"). The Finance Committee of the Supervisory Board (the "**Finance Committee**"), which was authorized by the Supervisory Board to do so, approved the resolution of the Management Board on the implementation of the Capital Increase on the same day.

All New Shares were successfully placed with institutional investors by an accelerated book-built offering process. The placement price determined by the Management Board with the approval of the Finance Committee on 13 May 2019 was EUR 45.10 per share. The gross issue proceeds from the Capital Increase thus totaled approx. EUR 744.15 million. The Capital Increase was accompanied by several banks, one of which also acted as subscriber for the new shares.

The capital increase is expected to be registered with the commercial register on 17 May 2019.

Before passing the decisive resolutions on the utilization of the Authorized Capital 2018, the Management Board and the Finance Committee carefully and intensively discussed the necessity of the Capital Increase and the exclusion of subscription rights:

The Company carried out the Capital Increase to refinance the acquisition of a Swedish portfolio consisting of 2,340 apartments by Victoria Park AB, the Swedish subsidiary of Vonovia, announced on 19 December 2019, at Group level and to finance future growth. The remaining part is intended to support general corporate purposes.

By excluding shareholders' subscription rights, the Company has made use of an option to exclude subscription rights in the event of a cash capital increase as provided for in the Articles of Association and sections 203 para. 2, 186 para. 3 sentence 4 of the German Stock Corporation Act ("*Aktiengesetz*" – "**AktG**").

The Capital Increase represents approx. 3.18% of the current share capital. When determining the price, the requirements of sections 203 para. 2, 186 para. 3 sentence 4 AktG and the specifications to these requirements stipulated in the Authorized Capital 2018 were also observed. According to these requirements, the price of the new shares may not be significantly lower than the stock exchange price of the Company's shares.

The closing price of the Vonovia share on Xetra on the day of the determination of the issue price was EUR 48.82. Taking into account the fact that, in contrast to the shares already existing prior to the Capital Increase, the New Shares are not entitled to a dividend for the 2018 financial year – and will therefore not receive the dividend of EUR 1.44 per share to be resolved by the Annual General Meeting on 16 May 2019 – the placement price (as the relevant issue price within the meaning of section 186 para. 3 sentence 4 AktG) is not significantly lower than the market price.

Further, such exclusion of subscription rights was necessary in order to utilize what the management considers favorable market situation for this capital measure at the time of the partial utilization of the Authorized Capital 2018 with short notice and to achieve the highest possible issue proceeds by fixing a price close to the market.

The subscription period of at least two weeks required when granting a subscription right (section 186 para. 1 sentence 2 AktG) would not have allowed a short-term reaction to the current market conditions.

In addition, if subscription rights had been granted, the final subscription price would have had to be announced no later than three days before the expiration of the subscription period (section 186 para. 2 sentence 2 AktG). Due to the longer period between price determination and completion of the capital increase and the volatility of the stock markets, there is a higher market and price change risk than with a share issuance without subscription rights. Therefore, a successful placement in the event of a capital increase with subscription rights would have required a corresponding discount on the market price when determining the price and would probably have led to conditions that are not comparably close to market conditions.

Furthermore, the interests of the shareholders were adequately safeguarded by fixing prices close to the stock market price. Due to liquid stock exchange trading shareholders are in principle able to maintain their relative shareholding in the company by way of an acquisition via the stock exchange at comparable conditions. In addition, the issuance of the New Shares close to the stock exchange price ensured that the Capital Increase did not lead to a significant economic dilution of the shareholders' interests.

For these reasons, the Management Board is of the opinion that the Capital Increase was in the Company's best interest and the exclusion of subscription rights in connection with the Capital Increase was justified.

Bochum, May 2019

Vonovia SE

The members of the Management Board

(*signed*)

(Rolf Buch) *(Helene von Roeder)* *(Klaus Freiberg)* *(Daniel Riedl)*