Annex to the Invitation to the Annual General Meeting of Vonovia SE on 16 April 2021 at 10:00 hours

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

3. Report by the Management Board on Item 9 of the Agenda on the reasons for the authorization to exclude subscription rights

Regarding Item 9 of the Agenda of the Annual General Meeting on 16 April 2021, the Management Board and the Supervisory Board propose that the existing authorization to issue convertible bonds, warrant bonds, profit participation rights and/or participating bonds (or combinations thereof) (hereinafter collectively referred to as "**bonds**") and the corresponding Conditional Capital 2018 be cancelled and that a new authorization be granted and a new conditional capital (Conditional Capital 2021) with the authorization to exclude subscription rights be created. Pursuant to section 221(4) sentence 2 AktG in conjunction with section 186(4) sentence 2 AktG, the Management Board gives the following report on the reasons for authorizing the exclusion of shareholders' subscription rights:

By resolution of the Annual General Meeting held on 9 May 2018, the Management Board was authorized to issue, with the approval of the Supervisory Board, registered or bearer convertible bonds, warrant bonds, profit participation rights and/or participating bonds or combinations thereof (hereinafter collectively "**2018 Bonds**") in an aggregate nominal amount of up to EUR 9,702,016,520.00 on one or several occasions up to 8 May 2023, and to grant the holders or creditors option or conversion rights for shares in the Company with a proportionate amount of up to EUR 242,550,413.00 of the share capital. A Conditional Capital 2018 in the amount of EUR 242,550,413.00 was created to satisfy the 2018 Bonds (section 6 (2) of the Articles of Association) ("**Conditional Capital 2018**"); this sum remains unchanged up to the day on which the invitation to this Annual General Meeting is published.

The existing authorization granted by the resolution of the Annual General Meeting on 9 May 2018 will only end on 8 May 2023. However, due to capital increases without subscription rights which had to be taken into account for the limitations of the existing authorization the possibility to utilize the existing authorization is reduced. In order to increase flexibility, the Management Board and Supervisory Board consider it to be expedient to cancel the existing authorization and the existing Conditional Capital 2018 and to replace them with a new authorization and new conditional capital (Conditional Capital 2021).

To be able to make proper use of the array of possible capital market instruments that securitize conversion and option rights, it is considered to be appropriate to set the permissible issue volume at EUR 12,000,000,000.00 in the authorization and to issue the authorization for a term of five years up to 15 April 2026. The Conditional Capital that serves to satisfy the conversion and option rights is to be EUR 282,943,649.00 (this corresponds to approximately 50% of the Company's current share capital). This conditional capital ensures that the issue volume authorization scope can be used to its full extent.

The Company's Management Board shall only be entitled to issue bonds if and to the extent the number of shares which were issued or are to be issued to satisfy the bonds with conversion or option rights or obligations from conditional capital does not exceed 50% of the share capital at the time said authorization comes into effect or - if such amount is lower - at the time it is exercised. Shares issued during the term of this authorization from conditional capital are to be included in this 50% cap of the share capital. This is intended to prevent the Management Board from increasing the share capital by more than 50 % when exercising existing authorizations. The cap, decreased under the preceding sentences of this paragraph, shall be increased again when a new authorization approved by the Annual General Meeting after the decrease pursuant to section 202 or section 221 (in conjunction with a conditional capital pursuant to section 192 AktG) becomes effective, to the extent of the reach of the new authorization, but up to a maximum of 50% of the share capital in accordance with the stipulations of sentence 1 of this paragraph.

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 authorization for the issue of bonds is guaranteed.

Appropriate capitalization is an essential basis 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 interest rate 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.

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 closing prices of the Company's share in Xetra trading (or a comparable successor system) on the

Frankfurt Stock Exchange on the ten trading days 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 closing prices of the Company's share 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(1) AktG and section 199 AktG remain unaffected. In the case of bonds involving conversion or option rights or obligations, notwithstanding sections 9(1), 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 adjustment of 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 must not exceed the nominal amount of each partial bond.

When bonds are issued, the shareholders must in principle be granted subscription rights for the bonds (section 221(4) AktG in conjunction with section 186(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(1) sentence 1 KWG or section 53b(1) sentence 1 or (7) 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(5) AktG). This does not constitute a limitation of the shareholders' subscription rights. In the end, the shareholders are granted the same subscription rights as with a direct subscription. Only for technical reasons, one or more banks will be involved in the handling of this.

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 normally 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 must also be 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. For these reasons, the Management Board and the Supervisory Board consider the potential exclusion of subscription rights to be objectively justified and also appropriate when weighed against the interests of the shareholders.

(ii) Furthermore, it shall be possible to exclude, with the approval of the Supervisory Board, the shareholders' subscription rights in order to grant bond holders/creditors subscription rights in the same volume as said holders/creditors would be entitled to upon exercising their conversion or option rights or fulfilling their conversion or option obligations in order to compensate dilutions.

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) Apart from that, when issuing bonds against cash contribution, the Management Board shall be authorized, by analogous application of section 186(3) sentence 4 AktG, to exclude subscription rights with the approval of the Supervisory Board, if the issue price of the bonds is not significantly lower than their market value determined based on generally accepted actuarial methods.

This can be expedient to exploit favorable 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. Favorable 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(2) AktG does permit the subscription price (and in the case of warrant and convertible bonds, therefore also the bond conditions) to be published up to the third from 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 behavior). 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 favorable capital procurement for the Company.

The shareholders' interests are protected by the bonds not being issued significantly below their market value. The market value is to be calculated on the basis of recognized 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 market 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 building. 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 market-oriented interest rate and/or other economic components. At the end of the book building 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 book building 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 authorization to exclude subscription rights pursuant to section 221(4) sentence 2 AktG in conjunction with section 186(3) sentence 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 authorization becomes effective or – in the event that this amount is the lower one – at the time at which it is exercised. This cap of 10% of the share capital is to include (i) any shares issued or disposed during the term of this authorization without subscription rights in direct or analogous application of section 186(3) sentence 4 AktG and (ii) any shares issued or to be issued to satisfy bonds with conversion or option rights or obligations, provided these bonds were issued during the term of this authorization without subscription rights pursuant to section 186(3) sentence 4 AktG.

This attribution serves the shareholders' interests that dilutions of their investments shall be as little as possible. The cap, 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(3) sentence 4 AktG approved by the General Meeting after the decrease becomes effective, 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 inclusion clause. In such case (or cases), the General Meeting once again has the opportunity to decide on the simplified exclusion of subscription rights, meaning that the reason for inclusion has again ceased to apply. This is because, with the effectiveness of the new authorization for a simplified exclusion of subscription rights, the ban regarding the authorization to issue the bonds without shareholder subscription rights brought about by the exercise of the authorization to issue new shares or by the sale of own shares shall lapse. Due to the identical majority requirements for such a resolution, the renewed authorization for the simplified exclusion of subscription rights is at the same time also to be seen – to the extent that the statutory requirements are observed – as a confirmation regarding this authorization. In the event of a renewed exercise of an authorization to exclude subscription rights in direct or analogous application of section 186(3) sentence 4 AktG, the deduction is carried out again.

(iv) Bonds may also be issued against contribution in kind insofar as this is in the interests of the Company. Contributions in kind may be in particular, but not only, a company, parts of a company, interests in a company and other assets in connection with an acquisition plan (including receivables), real estate and real estate portfolios. In this case, the Management Board is authorized to exclude, with the approval of the Supervisory Board, the shareholders' subscription rights, if the value of the contribution in kind is commensurate to the theoretical market value of the bonds as determined on the basis of recognized valuation principles.
This makes it possible to also use bonds as an acquisition currency in suitable isolated cases. 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 thus results in an advantage in the competition for interesting acquisition targets and offers the necessary scope for exploiting opportunities to acquire companies (even large companies), interests in companies or other assets that present themselves without impacting heavily on liquidity. This can also be appropriate from the point of view of an optimum financing structure. The Management Board will carefully examine on a case-by-case basis whether to exercise its authorization to issue bonds with conversion or option rights or obligations against contributions in kind with the exclusion of subscription rights. It will only do so if this is in the interests of the Company and therefore also of the shareholders.

The authorizations to exclude subscription rights described in the paragraphs above are limited in total to an amount not exceeding 10% of the share capital, either at the time at which this authorization becomes effective or – in the event that this amount is the lower one – at the time at which it is exercised. This cap of 10% of the share capital is to include (i) any shares issued during the term of this authorization from other authorizations without subscription rights and (ii) any shares issued or to be issued to satisfy bonds, provided the bonds were issued under a different authorization in accordance with section 221(2) AktG and also issued without subscription rights during the term of this authorization. This includes share issuances from authorized capital or the issuance of bonds.

This restriction at the same time 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 to exclude shareholder subscription rights approved by the General Meeting after the decrease becomes effective, 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 this paragraph. In such case (or cases), the General Meeting once again has the opportunity to decide on the simplified exclusion of subscription rights, meaning that the reason for inclusion has again ceased to apply.

With all of 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.

The proposed 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. In addition, the bond terms and conditions can provide that the conversion or option rights or obligations can also be satisfied by providing own shares of the Company or shares from authorized capital or by way of other consideration, such as by means of cash payment or the supply of shares of other listed companies instead. Furthermore, the bond terms and 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. Such structures enable the Company to use financing close to capital-market conditions with no actual need for a capital measure under company law. This takes into account the fact that an increase in share capital may be inappropriate at the future time of exercise of the conversion or option rights or fulfilment of corresponding obligations. Apart from that, since no new shares are issued, utilization of the cash settlement option protects the shareholders against any reduction in the percentage of their shareholdings and against dilution of the net asset value of their shares. In this respect, as specified in the conversion or option conditions, the equivalent value to be paid in cash corresponds to the average price of the shares at the close of Xetra trading (or at the close of a functionally equivalent successor to the Xetra system) on the Frankfurt Stock Exchange during the last ten to twenty trading days following the announcement of the cash settlement.

If and to the extent that the Management Board exercises one of the aforementioned authorizations to exclude subscription rights in connection with an issue of bonds during a given financial year, it shall report on this in the subsequent Annual General Meeting.

Bochum, March 2021

The Members of the Management Board

(*signed*)