KEY FIGURES

Financial Key Figures in € million	2014	2015	2016	2017	2018
Rental income*	789.3	1,414.6	1,538.1	1,667.9	1,894.2
Adjusted EBITDA Rental	482.6	924.4	1,046.2	1,148.7	1,315.1
Adjusted EBITDA Value-Add (previously "Value-Add Business")	23.6	37.6	57.0	102.1	121.2
Adjusted EBITDA Recurring Sales				62.2	79.1
Adjusted EBITDA Development				6.7	39.4
Adjusted EBITDA Total	553.5	1,028.7	1,186.5	1,319.7	1,554.8
EBITDA IFRS*	500.3	838.4	1,083.7	1,271.8	1,534.4
Group FFO				975.0	1,132.0
FFO 1*	286.6	608.0	760.8	919.5	1,064.7
thereof attributable to Vonovia shareholders	275.1	555.5	713.4	866.2	1,002.4
thereof attributable to Vonovia hybrid capital investors	–	33.0	40.0	40.0	40.0
thereof attributable to non-controlling interests	11.5	19.5	7.4	14.6	22.3
Group FFO per share in €				2.01	2.18
FFO 1 per share in €	1.00	1.30	1.63	1.90	2.06
Income from fair value adjustments of investment properties	371.1	1,323.5	3,236.1	3,434.1	3,517.9
EBT	589.1	1,734.5	3,859.8	4,007.4	3,874.3
Profit for the period	409.7	994.7	2,512.9	2,566.9	2,402.8
Cash flow from operating activities	453.2	689.8	828.9	946.0	1,132.5
Cash flow from investing activities	-1,177.9	-3,239.8	416.4	-1,350.1	-3,892.5
Cash flow from financing activities	1,741.7	4,093.1	-2,812.4	-870.5	3,041.5
Maintenance and modernization	345.5	686.3	792.4	1,124.8	1,569.4
thereof for maintenance expenses and capitalized maintenance	173.8	330.7	320.1	346.2	430.4
thereof for modernization (incl. new construction)	171.7	355.6	472.3	778.6	1,139.0

Key Balance Sheet Figures in € million	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2018
Fair value of the real estate portfolio	12,759.1	24,157.7	27,115.6	33,436.3	44,239.9
Adjusted NAV	6,472.0	11,273.5	14,328.2	18,671.1	23,262.6
Adjusted NAV per share in €	22.67	24.19	30.75	38.49	44.90
LTV in %	49.3	46.9	41.6	39.8	42.8

Non-financial Key Figures	2014	2015	2016	2017	2018
Number of units managed	232,246	397,799	392,350	409,275	480,102
thereof own apartments	203,028	357,117	333,381	346,644	395,769
thereof apartments owned by others	29,218	40,682	58,969	62,631	84,333
Number of units bought	31,858	168,632	2,815	24,847	63,706
Number of units sold	4,081	15,174	26,631	11,780	15,102
thereof Recurring Sales (previously "Privatize")	2,238	2,979	2,701	2,608	2,818
thereof Non-core Disposals (previously "Sell portfolio")	1,843	12,195	23,930	9,172	12,284
Vacancy rate in %	3.4	2.7	2.4	2.5	2.4
Monthly in-place rent in €/m²	5.58	5.75	6.02	6.27	6.52
Organic rent increase in %	2.5	2.9	3.3	4.2	4.4
Number of employees (as of Dec. 31)	3,850	6,368	7,437	8,448	9,923

EPRA Key Figures in € million	2014	2015	2016	2017	2018
EPRA NAV	6,578.0	13,988.2	17,047.1	21,284.6	26,105.0
EPRA NAV per share in €	23.04	30.02	36.58	43.88	50.39
EPRA NNNAV	–	9,739.8	12,034.4	14,657.5	17,669.5
EPRA earnings	–	329.2	450.0	572.6	685.3
EPRA net initial yield in %	–	4.5	4.1	3.7	3.5
EPRA topped-up net initial yield in %	–	4.5	4.1	3.7	3.5
EPRA vacancy rate in %	3.0	2.5	2.2	2.3	2.3
EPRA cost ratio (incl. direct vacancy costs) in %	–	31.9	28.4	26.3	25.9
EPRA cost ratio (excl. direct vacancy costs) in %	–	30.2	27.0	24.8	24.6

* Comparable figures for the previous year acc. to the current definition of key figure.
The key figures per share are based on the shares carrying dividend rights on the corresponding reporting date: values for 2014, TERP-adjusted.

THE COMPANY AND ITS SHARES

Vonovia once again lived up to its social responsibility last year. The company made considerable investments in its portfolio and neighborhoods and expanded its range of services in the interests of its customers. At the same time, the increase in the value of the company – partly as a result of acquisitions – benefits investors.

Dear Shareholders, Ladies and Gentlemen,

As a residential real estate company, Vonovia plays a central role in society. This explains why our activities are never focused exclusively on financial aspects, but also take social factors into account. We are aware of the special role that we play: As a service provider and the provider of homes for around one million people, our focus is on our customers and their needs. This is why we strive to maintain our building stock and make an active contribution to shaping neighborhoods. It is also why we are committed to offering contemporary apartments and developing services that offer better quality of living. Our focus on our customers is also the reason why we are addressing a social issue that is particularly important at the moment: the construction of new apartments.

Affordable housing looks set to remain in short supply in our conurbations in the future, too. There are no quick solutions to this challenge, as is the case for the other pressing issues faced by our society: Building communities of people from a whole range of different backgrounds isn't something that happens by itself. Age structures within our society are shifting: By 2030, we will need up to 3 million senior-friendly apartments in Germany. These are issues that each and every one of us has to address. And even though policymakers are setting climate objectives that I believe make sense, this is another area in which the concepts to implement the objectives in a cost-effective and, at the same time, socially responsible manner are often not entirely clear.

We can offer answers to these questions and want to help work towards the solution. But that will not be enough in itself. In everything that we do, we need partners and joint efforts.

Last year, we achieved an **outstanding renovation rate of 5%** in our portfolio. We are revamping our buildings in order to reduce heating costs and restrict CO_2 emissions. This rate stands for contemporary living comfort, good levels of building efficiency and greater climate protection. We are committed to these efforts because they make sense from both a commercial and an ecological point of view. But because we want to take a whole range of different perspectives into account and also ensure that our rents remain affordable, we will be reducing the volume of energy-efficient building upgrades in the future and investing more in the construction of new apartments. As far as our future building upgrades are concerned, we will only be realizing projects that do not increase our customers' rents by more than € 2 per square meter.

from left
Rolf Buch — Chairman of the Management Board (CEO)
Helene von Roeder — Member of the Management Board (CFO)
Klaus Freiberg — Member of the Management Board (COO)
Daniel Riedl — Member of the Management Board (CDO)

At the same time, we are developing solutions in order to further reduce CO_2 emissions. These include state-of-the-art energy concepts, such as our own photovoltaic plants, or electromobility. We are also investing in neighborhood development to ensure that urban diversity is a success story and will be stepping up our investments in the construction of new apartments. These measures will create modern multifamily rental residences and, as of late, also condominiums.

Let's now take a look back at our operating performance over the last fiscal year: In 2018, we picked up exactly where we had left off in the previous years in terms of continuing with our good performance. We made good progress with our modernization and new construction measures. Our craftsmen's organization increased the range of services that it offers.

The volume of business continued to increase in the areas of cable television, metering services, insurance and residential environment services as well. In a growing business area, Vonovia Immobilien Treuhand now manages around 84,000 apartments for other owners. We created a new business segment, energy supply, allowing us to supply our customers with renewable electricity and, in some cases, also with natural gas.

At the same time, we continued to make adjustments to our residential portfolio to reflect the regions that are strategically important to us. In terms of fair value, 98% of our German portfolio now belongs to our strategic holdings.

We believe that one of the opportunities open to us lies in using our business model to grow abroad – when the opportunity arises. This strategy paid off again in 2018: The acquisition of the Austrian company BUWOG and the Swedish company Victoria Park allowed us to increase the proportion of apartments located outside of Germany to more than 39,000 units, or just under 10% of our portfolio. We also acquired a minority stake in the purchase of 4,000 residential units previously held by the French railway operator SNCF. This will help us to better understand the French residential property market, too, in the long run.

In many of our discussions with you, we on the Management Board continually emphasize the fact that we only buy portfolios that are a good fit for us. These are portfolios that allow tenants to benefit from our business model and the services we offer. This certainly applies to the Austrian and Swedish markets. I am delighted that our shareholders and also the management teams of BUWOG and Victoria Park share our view and want to support our approach accordingly. But let me take this opportunity to stress that Germany will remain our core market.

Vonovia remains a success story in financial terms, too. Once again, all key figures showed an improvement as against the previous year. Our operating earnings, FFO 1, rose by 15.8% to € 1.07 billion. This was also helped along by income from the acquisitions and enhanced by additional income resulting from the investments made in the portfolio as well as in new construction and vertical expansion measures. The sustained high demand for housing is another driver of our success. It means that we have virtually no properties lying vacant, with a vacancy rate of 2.4%.

As far as our operating result is concerned, I would like to add that, as of this year, we have replaced FFO 1, the key figure previously used to measure our operating success, with Group FFO. This is because we have included the field of project development in our business with the acquisition of BUWOG. Project development includes the design and construction of new residential buildings for third parties and for our own portfolio on land specifically acquired for this purpose. Group FFO reflects this business area as well. In the context of the integration of BUWOG, we also revamped our management system and reorganized our segments. In addition to the three segments that you are already familiar with, we will also have a fourth segment in the future: Development. You can find details in this report on page 64 ff.

The market value of our portfolio increased significantly last year: The adjusted net asset value rose by 24.6% year-on-year to € 23.3 billion. Expressed per share, it increased by 16.7% to € 44.90. This encouraging development can be traced back to increased valuations and to the incorporation of the BUWOG and Victoria Park portfolios.

Our financing basis remains stable. Our debt coverage ratio remains within the target corridor and the debt maturity profile is balanced with long maturities. We remain committed to using a broad range of financing instruments so that we can cover our liquidity needs in a flexible manner at all times. In addition, we are still making use of the current low interest rate environment in order to replace expensive financing arrangements with better ones.

Dear shareholders,

My colleagues on the Management Board and I are delighted to be able to propose the distribution of an increased dividend of € 1.44 per share to the Annual General Meeting together with the Supervisory Board. Provided that the overall conditions allow, we want to offer the option of a stock dividend over and above the conventional cash dividend in the current year, too.

Together with our 10,000 or so employees, we will be using 2019 to once again demonstrate our firm commitment to supporting our customers and living up to our responsibility vis-à-vis society. This means that we will be listening carefully and collaborating with partners to find solutions.

We would once again like to thank you, our shareholders, our partners and our employees for the trust you have placed in us.

Bochum, Germany, March 2019

Sincerely,

Rolf Buch
Chairman of the Management Board (CEO)

Rolf Buch (CEO)

Management Board

The Management Board of Vonovia SE consisted of four members as of December 31, 2018.

Rolf Buch
Chairman of the Management Board (CEO)

As Chief Executive Officer, Rolf Buch is responsible for transactions, general counsel, investor relations, HR management, auditing, corporate communications, the Management and Supervisory Board offices, sustainability and land management. Before joining the company in 2013, Rolf Buch was a Member of the Management Board at Bertelsmann SE and Chairman of the Management Board at Arvato AG. During his time at Arvato, the company grew into a global BPO service provider with over 60,000 employees in more than 40 countries and became the fastest-growing division of Bertelsmann SE. Rolf Buch began his career at Bertelsmann in 1991 after studying mechanical engineering and business management at RWTH Aachen University.

Klaus Freiberg
Member of the Management Board (COO)

As Chief Operating Officer, Klaus Freiberg is responsible for product management, IT, customer service, residential environment, technical service, engineering and the local rental business in the various regions (north, south, southeast, east, central, west). He held various leadership positions within the Arvato Group (Bertelsmann) in the period between 1995 and 2010, where he assumed responsibility for, and worked on the optimization of, the Service Centers of Deutsche Post and Deutsche Telekom, among other things. Klaus Freiberg is a recognized expert in making companies customer-focused. Klaus Freiberg completed his degree in history, social sciences and economics at the Westfälische Wilhelms University of Münster in 1990.

Helene von Roeder
Member of the Management Board (CFO)

Helene von Roeder has held the position of Chief Financial Officer on the Management Board of Vonovia SE since May 2018 and is responsible for controlling, finance, accounting, tax, property evaluation, central purchasing, insurance and Immobilien Treuhand. Before joining Vonovia, she headed Credit Suisse's business in Germany, Austria and Central and Eastern Europe (CEE) as CEO Germany from 2014. She began her career at Deutsche Bank in London in 1995 after studying theoretical physics in Munich and theoretical astrophysics in Cambridge. She worked for UBS AG in Frankfurt and London from 2000 to 2004, before moving to Morgan Stanley Bank AG in Frankfurt, where her most recent role was Head of Global Capital Markets for Germany and Austria, Member of the Management Board of Morgan Stanley Bank AG.

Daniel Riedl
Member of the Management Board (CDO)

In this role as Chief Development Officer, Daniel Riedl is responsible for development in Austria, development in Germany and operating business in Austria. Daniel Riedl is a graduate in business administration from Vienna University of Economics and Business and a Fellow of the Royal Institution of Chartered Surveyors. Daniel Riedl has around 20 years' experience in the real estate industry, with more than ten of them spent at Management Board level. He served on the Executive Board of IMMOFINANZ AG from 2008 to 2014. He led BUWOG AG to a successful stock exchange listing in April 2014 and was the company's CEO until its delisting at the end of 2018.

Supervisory Board

The Supervisory Board currently consists of twelve members, all of whom were elected for a statutory term of office by the Annual General Meeting held on May 9, 2018. The inaugural meeting of the new Supervisory Board was held following the Annual General Meeting of May 9, 2018.

Jürgen Fitschen
Chairman
Senior Advisor at Deutsche Bank AG

Prof. Dr. Edgar Ernst
Deputy Chairman
President of the German Financial Reporting Enforcement Panel

Burkhard Ulrich Drescher
Managing Director of InnovationCity Management GmbH

Vitus Eckert
Lawyer – Eckert Fries Prokopp Rechtsanwälte GmbH

Dr. Florian Funck
Member of the Management Board of Franz Haniel & Cie. GmbH

Dr. Ute Geipel-Faber
Self-employed management consultant

Daniel Just
Chairman of Bayerische Versorgungskammer

Hildegard Müller
Member of the Management Board of innogy SE

Prof. Dr. Klaus Rauscher
Self-employed management consultant

Dr. Ariane Reinhart
Member of the Management Board of Continental AG

Clara-Christina Streit
Self-employed management consultant

Christian Ulbrich
Global CEO & President Jones Lang LaSalle Incorporated

Members Who Left the Supervisory Board

Hendrik Jellema (until May 9, 2018)
Chairman of Stiftung Berliner Leben

Supervisory Board Committees

Executive and Nomination Committee
Jürgen Fitschen, Chairman
Hildegard Müller
Prof. Dr. Klaus Rauscher
Dr. Ariane Reinhart
Clara-Christina Streit

Audit Committee
Prof. Dr. Edgar Ernst, Chairman
Burkhard Ulrich Drescher
Vitus Eckert
Dr. Florian Funck

Finance Committee
Clara-Christina Streit, Chairperson
Dr. Ute Geipel-Faber
Jürgen Fitschen
Daniel Just
Christian Ulbrich

Report of the Supervisory Board

Ladies and Gentlemen,

The letter below contains our report on the activities performed by the Supervisory Board over the last fiscal year. In 2018, we were once again able to support the Management Board of Vonovia SE through a successful fiscal year.

The issue of housing is currently very much in the public eye in Germany, meaning that, as the country's biggest private real estate company, Vonovia is faced with a challenging task: The company has to achieve positive further development in a financial sense in the interests of its shareholders while at the same time having to come up with constructive answers to the municipal and social housing issues faced by people living in Germany's metropolitan regions.

The Management Board once again found appropriate answers to both questions in the last fiscal year. It continued to pursue its long-term strategic approach and exploited the company's good market position in order to further develop the strategy in the interests of the company and its shareholders. The operating business showed successful ongoing development. The company improved its performance indicators, invested in its portfolio and once again made very good progress in expanding its service business. These developments led to good financial data for the year as a whole. The company was also successful with its opportunistic growth strategy again, expanding its international portfolio with the acquisition of the Austrian company BUWOG AG and the Swedish company Victoria Park AB (publ). Vonovia also invested in France for the first time, acquiring a small stake in a portfolio there. All in all, we are very satisfied with the development of the Vonovia Group in 2018.

In the 2018 fiscal year, the Supervisory Board continuously monitored the Management Board's management activities and provided the Management Board with regular advice concerning the running of the company. We were able at all times to establish that their actions were lawful, expedient and regular. The Management Board fulfilled its information obligations to an appropriate extent at all times, notifying us regularly, promptly and comprehensively, both in writing and verbally, of all circumstances and measures that were relevant to the company.

In both our committees and at our plenary meetings, we always had ample opportunity to critically appraise the reports and proposals submitted by the Management Board and to contribute our own suggestions. We discussed and tested the plausibility of all business occurrences of significance to the company, as communicated to us by the Management Board in written and verbal reports, in detail. Where required by law or the Articles of Association, we granted our consent to individual business transactions.

Cooperation Between the Management Board and the Supervisory Board

In the previous year up until May 9, 2018, the Supervisory Board consisted of eleven members, and thereafter twelve. We were in intensive dialog with the Management Board and supported it in its key decisions. Also, we followed the company's business development closely. The Management Board regularly informed us about key events and the company's strategic direction as part of a collaboration based on trust.

As Supervisory Board Chairman, I remained in close contact with the Management Board, and in particular with the Chairman of the Management Board, even between Supervisory Board meetings, regularly exchanging information and ideas. Furthermore, I am interested in including the employee representative bodies in this communication and have led talks with representatives of the Group works councils. Other members of the Supervisory Board were notified of any important findings promptly, or at the latest by the next board meeting. In the fiscal year, there were no conflicts of interest of Management Board or Supervisory Board members, which are to be reported immediately to the Supervisory Board.

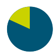
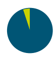
Focal Points of Our Work

In line with the duties assigned to the Supervisory Board by law, the Articles of Association and the rules of procedure, we once again closely scrutinized the Group's operational, economic and strategic progress last year. This included, as in the past, the expansion of the service offering, the implementation of the investment program and adjustments to this program to reflect market requirements, neighborhood development and investments in new living space, the exploitation of opportunities resulting from digitization, the portfolio strategy, internationalization and the evaluation and provision of support with regard to opportunities for further portfolio expansion. We also took an in-depth look at the future management structure of the company.

Meetings

In the 2018 fiscal year, the Supervisory Board met a total of seven times to consult and pass resolutions: five times at meetings (March, twice in May, September, December) and twice via conference call (January, March). The Supervisory Board made decisions by written circular in two cases (February, October). Any individual members absent from the seven meetings had always been excused.

Meetings of Supervisory Board and Committees in the 2018 fiscal year

Member	Supervisory Board	Audit Committee	Executive and Nomination Committee	Finance Committee	Participation rate
Jürgen Fitschen (since May 2018)	3/3	–	1/1	3/3	
Burkhard Drescher	7/7	4/4	–	–	
Vitus Eckert (since May 2018)	3/3	2/2	–	–	
Prof. Dr. Edgar Ernst	6/7	4/4	3/3	5/6	
Dr. Florian Funck	7/7	3/4	–	–	
Dr. Ute Geipel-Faber	7/7	–	–	8/9	
Hendrik Jellema (until May 2018)	4/4	2/2	–	–	
Daniel Just	7/7	–	–	9/9	
Hildegard Müller	5/7	–	4/4	–	
Prof. Dr. Klaus Rauscher	7/7	–	4/4	–	
Dr. Ariane Reinhart	6/7	–	3/4	–	
Clara-Christina Streit	7/7	–	4/4	8/9	
Christian Ulbrich	6/7	–	–	7/9	

Participation in the seven Supervisory Board meetings averaged around 94% in the 2018 fiscal year. No member of the Supervisory Board took part in less than half of the meetings during their term of office. The same applies to the committees. In preparation for the meetings, the Management Board submitted timely, comprehensive and valid written reports and resolution proposals to us.

Information on the individual meetings and their content is provided below:

On **January 17, 2018**, the Supervisory Board discussed, and passed a resolution on, transitional and succession arrangements for the Controlling and Finance Management Board functions by way of a conference call.

On **February 21, 2018**, the Supervisory Board approved the submission of the "Declaration of Conformity by the Management Board and the Supervisory Board of Vonovia SE to the Recommendations of the German Corporate Governance Code Pursuant to Section 161 of the German Stock Corporation Act (AktG)."

On **March 5, 2018**, we met to adopt the balance sheet: the Supervisory Board approved the company's annual and consolidated financial statements as of December 31, 2017, and prepared the agenda and the resolution proposals for the Annual General Meeting. This also included the proposal for the appropriation of profit. Regarding the manner in which the dividend would be granted, the Supervisory Board decided to once again propose to the Annual General Meeting that the dividend be paid either in cash or in the form of shares. Other proposals for the agenda included the approval of a supplement regarding approved and conditional capital and the acquisition of own shares. The Supervisory Board also approved the Non-financial Declaration. Under the "HR-related matters" agenda item, the Supervisory Board discussed remuneration issues (target agreements, short-term and long-term incentive plans, pension model), as well as the rescission of the contract of employment with Dr. A. Stefan Kirsten, and passed corresponding resolutions. As far as operational issues are concerned, the Supervisory Board looked at the customer satisfaction analysis and activities relating to digitization. The Supervisory Board discussed economic performance, obtained information on capital market activities and discussed the results and proposals of the Finance Committee. Within this context, the Supervisory Board passed a resolution on the financing of the acquisition of the shares in BUWOG by issuing bonds as part of the EMTN program in the amount of up to € 3.7 billion.

Under the leadership of Prof. Dr. Edgar Ernst, the Supervisory Board addressed the issue of appointing a Chairperson of the Supervisory Board and passed a resolution nominating Jürgen Fitschen, who introduced himself to the Supervisory Board at the beginning of the meeting, as a candidate.

On **March 16, 2018**, the Supervisory Board used a conference call to discuss the recruitment of Daniel Riedl to assume responsibility, within the Management Board, for the Austria region and the development business; it assigned a corresponding negotiation mandate to the Chairman of the Supervisory Board, Prof. Dr. Edgar Ernst. The Supervisory Board also passed a resolution on a proposal to be made to the Annual General Meeting regarding the election of the Supervisory Board members and discussed the structure of the mandate term within the Supervisory Board.

At the meeting held on **May 2, 2018**, the Supervisory Board passed a resolution on the appointment and recruitment of Daniel Riedl with effect from May 9, 2018, and with an initial term of office of three years. It discussed what was likely to be the new distribution of duties and also discussed the consolidated interim financial statements as of March 31, 2018, looking, in particular, at the impact of the integration of BUWOG AG – both in financial terms and with regard to sustainability factors. The Supervisory Board also discussed operating business performance in detail: the key operating figures, the planned investment programs, the neighborhood development project in Berlin-Tegel and the expansion of the "technical service" and "multimedia and metering services" areas. The Supervisory Board discussed the company's financial performance in relation to its competitors and discussed the current developments on the capital market. This also involved the Supervisory Board looking at the performance of Vonovia's shares and feedback from investors and analysts, as well as the recommendations made by the voting right consultants on the items on the agenda for the Annual General Meeting. The Supervisory Board approved capital increases for the planned scrip dividend and for the purposes of making a takeover offer to the shareholders of Victoria Park AB, including a loan agreement in the amount of € 960 million and the implementation of a capital increase as part of an accelerated capital increase. Other issues included the increasingly critical media response to the issue of housing, the status of the integration of BUWOG AG and the acknowledgment of a consulting assignment for the energy-efficient refurbishment of a Vonovia neighborhood with a company in which a member of the Supervisory Board is a managing director.

At its inaugural meeting held on **May 9, 2018**, the Supervisory Board made arrangements regarding the responsibilities of its members for the new term of office. It elected Jürgen Fitschen as Chairman and Prof. Dr. Edgar Ernst as Deputy Chairman. The chairs of the Finance and Audit Committee were also elected. Due to the increased consolidation outlay associated with the integration of the BUWOG Group, the company was unable to meet the financial reporting deadlines for 2018. As a result, the Supervisory Board updated the Declaration of Conformity pursuant to the German Corporate Governance Code at the meeting. After Helene von Roeder also assumed responsibility for the Finance division with effect from May 9, 2018, the Supervisory Board also passed a resolution on the new distribution of duties within the Management Board.

At the meeting held on **September 11, 2018**, we discussed the reports on the decisions made by the Finance Committee and the Executive and Nomination Committee, the results of the Audit Committee on the financial statements for the first half of 2018, the focal points of the audit and fee for the auditor of the annual financial statements for the 2018 fiscal year and the reports on the Compliance and Internal Audit departments. One focal issue was the strategy, which we confirmed with regard to all of its sub-aspects given the company's positive operating and financial performance (and, as a result, also the positive development in its value). Within the context of this strategy, we also had an in-depth discussion on the current environmental developments and megatrends in the housing industry that the company has to pay increasing attention to due to the role it plays on the market: Major issues included the shortage of housing, new construction, ghettoization, integration, neighborhood development and electromobility. We also discussed the increasingly critical coverage by the media and the requirement for communication with tenants and representatives of the media. Other strategic issues included the portfolio strategy in Austria, the further development of the Development segment and the development potential in France and Sweden. Another set of issues related to an evaluation of the company's operating business performance: Within this context, we looked at customers' increasing demands in terms of service, the increased additional expenses relating to the portfolios to be integrated, the investment program and business performance in the Development segment with the implementation projects in Berlin, Hamburg and Vienna.

On **October 29, 2018**, we used a written circular to approve the move to take out a current liability to achieve the intragroup restructuring of those companies belonging to the BUWOG Group with real estate holdings in Germany.

At the meeting held on **December 5, 2018**, we discussed HR-related topics and reports from the committees within the Supervisory Board. We discussed and adopted the budget for 2019 submitted by the Management Board and discussed the medium-term planning for the next five years. Other issues included the reports on operating business performance, developments within the Development segment, economic performance, capital market developments and the media coverage analysis. The Chairman of the Supervisory Board also reported on the corporate governance roadshows held in September and October. Internationalization was another issue on the agenda: Within this context, we discussed the status of affairs in Sweden (Victoria Park) and in France (consortial share purchase in a portfolio of rail workers' apartments).

Work of the Committees

In order to perform our duties effectively, we formed an Audit Committee, a Finance Committee and an Executive and Nomination Committee. The committees prepare subjects which are to be discussed and/or resolved by the Supervisory Board. In addition, the committees passed further resolutions that we had delegated to them instead of passing them on the Supervisory Board as a whole.

In addition to regular dialogue between the Audit Committee and the auditors at the quarterly meeting, there is also regular communication between the Chairman of the Audit Committee and the auditors, particularly before the quarterly meetings of the Audit Committee.

Audit Committee

The Audit Committee had four members in the reporting year. Prof. Dr. Edgar Ernst assumed the role of Chairman. The other members were Burkhard Drescher, Vitus Eckart (as of May 9, 2018), Dr. Florian Funck and Hendrik Jellema (until May 9, 2018). One position was vacant during the fiscal year under review. In 2018, the Audit Committee met four times (March, May, August, December).

At the meeting held on March 5, 2018, the Committee reviewed the annual and consolidated financial statements as of December 31, 2017, as well as the combined management report for the 2017 fiscal year. Its review took account of both the company's reports and the reports prepared by the auditor. The auditor considered the main points of the audit of the consolidated financial statements to be the valuation of investment properties located in Germany, the value of the goodwill as well as the identification and measurement of assets and liabilities acquired as part of the acquisition of the conwert Group. For the separate financial statements of Vonovia SE, the focal points of the audit were the valuation of equity investments and the merger of Gagfah S.A. with Vonovia SE. The Committee drew up a proposal for the appropriation of profit and developed a recommendation for a resolution to be submitted to the Supervisory Board regarding the adoption of the annual financial statements. The Committee developed a proposal for the selection of an auditor for the 2018 fiscal year and for this auditor's appointment as the auditor responsible for the audit of the condensed consolidated interim financial statements and interim Group management reports. Other topics included the application of the Group guidelines on "Non-audit services provided by the auditor" to cover the BUWOG Group, the report of the Internal Audit department and the compliance status report.

At its meeting held on May 2, 2018, the Committee looked at the condensed consolidated interim financial statements for the first quarter. It took a detailed look at the economic and operational implications of incorporating BUWOG into Vonovia. It discussed the auditor's report and the statements made by the latter on the assessment of the tax compliance management system, as well as the IFRS 15 standard that came into force at the beginning of the year and is already implemented by Vonovia. The Committee also took an in-depth look at sustainability reporting, the extension of the risk management system to cover the Development segment, the status of the audits conducted by the Internal Audit department, the company's tax position, the status of the tax audit for the years from 2012 to 2015 and compliance (GDPR).

At its meeting held on August 30, 2018, the Committee approved the consolidated interim financial statements as of June 30, 2018, and passed a resolution on the commissioning of KPMG AG Wirtschaftsprüfungsgesellschaft to audit the annual and consolidated financial statements as of December 31, 2018. It discussed the company's report and, within this context, addressed issues including the impact of the integration of Victoria Park AB on the company's financial performance and the development of the value of the real estate portfolio. Other topics covered included the status report on non-audit services provided by the auditor of the annual financial statements and the status reports prepared by the Internal Audit department on sustainability reporting and compliance management.

At the meeting held on December 5, 2018, the Committee discussed the condensed consolidated interim financial statements, along with the corresponding reports prepared by the company and the auditor. It looked at the preliminary results of the property valuation, risk management, the compliance report and ongoing major legal disputes. It also discussed the report prepared by the Internal Audit department on the status of its audits and on the internal control system (ICS) and set the audit plan and audit budget for the Internal Audit department for the 2019 fiscal year.

Finance Committee

In 2018, the Finance Committee consisted of five members. The Chairperson was Clara-Christina Streit. The other members were Prof. Dr. Edgar Ernst (until May 9, 2018), Jürgen Fitschen (as of May 9, 2018), Dr. Ute Geipel-Faber, Daniel Just and Christian Ulbrich. The Finance Committee met nine times in the reporting year, twice at a face-to-face meeting (May, December) and seven times using conference calls (twice in March, once in April, three times in May and once in September). The Committee made decisions using a written circular in three cases (June and twice in September).

The Finance Committee had been previously authorized by the Supervisory Board to make all decisions on matters outside the scope of the topics for which it is generally responsible.

At a conference call held on March 3, 2018, the Finance Committee discussed offering the shareholders a scrip dividend and prepared a decision depending on share price performance. In addition, the Committee discussed, and passed a resolution on, optimizing the financing of the BUWOG takeover offer by issuing bonds under the EMTN program in an amount of up to € 3.7 billion.

At a conference call held on March 14, 2018, the Committee discussed the 73.8% acceptance rate achieved for the takeover offer made to the BUWOG shareholders during the first acceptance period and the associated financing measures.

On April 30, 2018, the Committee used a conference call to discuss the option of a takeover offer for the Swedish real estate company Victoria Park AB as an opportunity to forge ahead with the company's internationalization. Within this context, the Committee discussed possible financing using a capital increase, excluding subscription rights, as part of an accelerated bookbuilding procedure, taking the influence of remaining minority shareholders into account.

After the negotiations were successfully concluded by the Management Board, the Committee used the first conference call held on May 3, 2018, to approve the submission of a takeover offer to the shareholders of Victoria Park AB, the conclusion of a bridge facility and moves to contact investors regarding the option of a capital increase as part of an accelerated bookbuilding procedure.

During the second conference call held on that same day, the Finance Committee approved the accelerated capital increase by up to 28 million new shares in Vonovia and the authorization of J.P. Morgan to subscribe to and assume the new shares.

Following the successful bookbuilding process, the Committee used a third conference call to develop a more detailed resolution on the accelerated capital increase by 26 million new shares at a placement price of € 38.30 per share.

At a meeting held on May 9, 2018, the Committee discussed, and passed a resolution on, the general granting of a scrip dividend in line with the general resolution on the appropriation of profit previously passed by the Annual General Meeting, with a resolution still to be passed on the exact number of new shares.

On June 4, 2018, the Finance Committee used a written circular to approve the more detailed resolution passed by the Management Board on the implementation of a non-cash capital increase as part of the dividend option for shareholders in Vonovia SE.

On September 4, 2018, the Committee used a written circular to approve the extension of the commercial paper program and the working capital facility.

On September 21, 2018, the Committee approved the sale of 3,853 residential units in 33 locations in Schleswig-Holstein, Mecklenburg-West Pomerania, Lower Saxony and Brandenburg.

On November 23, 2018, the Finance Committee used a conference call to approve the acquisition of the Starsign portfolio by Victoria Park AB, consisting of 2,341 residential units in Stockholm and Gothenburg for an amount of up to 4.3 billion Swedish kronor/€ 415 million.

At the meeting held on December 5, 2018, the Committee approved the issue of a bond in the amount of up to € 1 billion for possible use in connection with the refinancing that would be necessary in 2019.

Executive and Nomination Committee

In the fiscal year under review, the Executive and Nomination Committee consisted of five members. It was chaired by Prof. Dr. Edgar Ernst up until May 9, 2018. On the same day, he handed over the task to Jürgen Fitschen, his successor as Supervisory Board Chairman. The other members were Hildegard Müller, Prof. Dr. Klaus Rauscher, Dr. Ariane Reinhart and Clara-Christina Streit. The Executive and Nomination Committee met four times in 2018, twice at meetings (February, December) and twice using conference calls (January, March). The Committee made three decisions by written circular.

At a conference call held on January 17, 2018, the Committee discussed the appointment of Helene von Roeder as a new Management Board member to assume the role of Chief Controlling Officer as Gerald Klinck's successor, making a recommendation to this effect to the Supervisory Board.

At the meeting held on February 23, 2018, the Committee developed resolution proposals for the Supervisory Board on the 2017 short-term incentive plan (target achievement), the 2018 short-term incentive plan (target agreements) and the long-term incentive plan for the Management Board (2018 tranche), as well as the rescission of Dr. A. Stefan Kirsten's contract with effect from the end of the Annual General Meeting on May 9, 2018. The Committee reviewed the appropriateness of Management Board remuneration and recommended that the conditions set out in the existing contracts remain in place. Another topic of discussion was the setting of the age limit for Management Board members in cases where members wished to draw retirement benefits early via the "Pension instead of cash remuneration" model. After consulting an independent HR consultancy agency, the Committee developed a proposal to be submitted to the Annual General Meeting regarding Jürgen Fitschen's appointment to the Supervisory Board, also as a candidate for the office of future Supervisory Board Chairman.

On June 12 and July 31, 2018, the Committee used written circulars in each case to pass resolutions on the acquisition of office equipment by former Management Board members and then on the short-term incentive plan target agreements for 2018 with the new Management Board members Helene von Roeder and Daniel Riedl.

On September 18, 2018, the Committee used a written circular to approve Rolf Buch's assumption of a mandate as member of the Council of Shareholders of the Kötter Group, Essen.

In its session on December 5, 2018, the Executive and Nomination Committee discussed the results of the Corporate Governance Road Show conducted by the Supervisory Board Chairman and the possible effects on the structure and reporting of the Management Board remuneration. As part of the review of the remuneration structure of the Management Board, the possibility of switching from the current granting of virtual shares to the future creation of actual shares should be discussed in the 2019 fiscal year. Other topics of discussion included succession arrangements within the Management Board and the approval of Helene von Roeder's assumption of a mandate as a member of the committees of Merck KGaA.

Corporate Governance

The Management Board and Supervisory Board of Vonovia SE are committed to the principles of good corporate governance. As a result, the members of the Supervisory Board once again looked at the German Corporate Governance Code in the reporting year. On January 31, 2019, the Management Board and the Supervisory Board issued an updated Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act (AktG). The Management Board also reports, including on behalf of the Supervisory Board, on corporate governance at Vonovia in the declaration on corporate governance. Both declarations will be permanently published by the company on its website for perusal.

Audit

After being appointed at the Annual General Meeting on May 9, 2018, to audit financial statements for the 2018 fiscal year, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, has duly audited the annual financial statements and consolidated financial statements of Vonovia SE as of December 31, 2018, and the combined management report for the 2018 fiscal year and has expressed an unqualified opinion thereon. In accordance with German legal regulations, the content of the non-financial declaration, which is included in a separate section of the combined management report, was not reviewed by the auditor. In accordance with Section 317 (4) of the German Commercial Code (HGB), KPMG also assessed the risk early warning system of Vonovia SE.

The auditor has affirmed its independence to the Chairman of the Audit Committee and duly declared that no circumstances exist that could give grounds for assuming a lack of impartiality on its part. The audit assignment was awarded to KPMG AG Wirtschaftsprüfungsgesellschaft by the Chairman of the Audit Committee in line with the Committee's resolution and the choice of auditor made by the shareholders at the Annual General Meeting.

The annual financial statements were prepared by the Management Board in accordance with the German commercial law and stock corporation law provisions, including the generally accepted accounting practice. The consolidated financial statements were prepared by the Management Board in accordance with the International Financial Reporting Standards (IFRS), as applied in the European Union, as well as the supplementary provisions applicable pursuant to Section 315e (1) HGB.

For the annual financial statements and the consolidated financial statements, Vonovia SE prepared a combined management report based on the requirements set out in Sections 315, 298 (2) HGB.

Every member of the Supervisory Board received copies of the annual financial statements, the consolidated financial statements and the combined management report and the auditor's report in good time. On the basis of the preliminary examination and assessment by the Audit Committee, about which the Audit Committee Chairman reported to the Supervisory Board, the Supervisory Board has scrutinized in detail the annual financial statements, consolidated financial statements and combined management report of Vonovia SE for the 2018 fiscal year and also considered the Management Board's proposal for the appropriation of profit. With regard to the Non-financial Declaration to be published pursuant to the CSR Directive Implementation Act, the Supervisory Board complied with its review obligation.

At the joint meeting on March 6, 2019, with the Audit Committee, and at the subsequent Supervisory Board meeting held on the same day, the auditors reported both on their findings including the strategic audit objectives and key audit matters. The strategic audit objectives and the key audit matters set out in the auditor's report had been defined by the auditor, within the context of the latter's independent mandate, in the second half of 2018 and had already been discussed and agreed upon with the Audit Committee in advance.

In the 2018 fiscal year, with regard to the consolidated financial statements, particularly key audit matters included the value of goodwill, the valuation of investment properties and the identification and valuation of the acquired assets and liabilities as part of the acquisition of BUWOG and Victoria Park. With regard to the annual financial statements of Vonovia SE, special importance was given to the value of the shares in affiliated companies as well as the concealed contribution in kind at fair value as part of the intragroup restructuring of the conwert Group.

The auditors gave detailed answers to our questions. After an in-depth review of all documentation, we found no grounds for objection. As a result, we concurred with the auditors' findings. On March 06, 2019, we followed the Audit Committee's recommendation and approved the annual financial statements and consolidated financial statements of Vonovia SE, as well as the combined management report. The annual financial statements are thus duly adopted.

Dividend

The Supervisory Board considered the Management Board's proposal for the appropriation of profit. It gave particular consideration to the liquidity of the company/the Group, tax-related aspects, financial and investment planning. Following its audit, the Supervisory Board agrees with the proposal set out by the Management Board to be made to the Annual General Meeting, namely the proposal that, from the profit for the 2018 fiscal year, a dividend of € 1.44 per share or € 746,032,224.96 in total on the shares of the share capital as of December 31, 2018, be paid to the shareholders and the remaining amount be carried forward to the new account or be used for other dividends on shares carrying dividend rights at the time of the Annual General Meeting that go beyond those as of December 31, 2018.

The dividend will be paid either in cash or in the form of shares in the company. The shareholders' right to opt for a dividend paid out in shares is communicated separately in a timely manner together with other information, particularly on the number and type of shares.

Personnel

The following staff-related changes were made within the company's management team during the reporting period: On January 17, 2018, the Supervisory Board appointed Helene von Roeder to the Management Board to assume the position of Chief Controlling Officer. Following the end of the Annual General Meeting held on May 9, 2018, she also assumed the role of Chief Financial Officer. Dr. A. Stefan Kirsten, who had held the position of CFO up until then, left the Management Board at his own request at the end of the Annual General Meeting. Gerald Klinck, who did not seek to extend his contract as Chief Controlling Officer, also left the Management Board at the end of the Annual General Meeting. Daniel Riedl joined the Management Board as a new member at the end of the Annual General Meeting. He is responsible for the Development segment and for Austria.

The Supervisory Board would like to thank those members who have left the Management Board for their valuable contributions to the company's excellent performance in recent years. Dr. A. Stefan Kirsten managed the Finance division for more than seven years. The financial basis for Vonovia's successful development was established under his leadership. Gerald Klinck was responsible in particular for the positive development of the areas of Group and portfolio controlling, property valuation, central procurement and condominium administration.

The following changes were made within the Supervisory Board in 2018: Jürgen Fitschen and Vitus Eckert were appointed as new Supervisory Board members at the Annual General Meeting on May 9, 2018. Jürgen Fitschen was appointed Chairman of the Supervisory Board at the inaugural Supervisory Board meeting held on the same day. He replaced Prof. Dr. Edgar Ernst, who had held the position on an interim basis since September 7, 2017, and who then assumed the role of Deputy Chairman. Hendrik Jellema left the Supervisory Board on May 9, 2018.

The Supervisory Board would like to thank Hendrik Jellema for his dedicated work as a member of the Board.

Concluding Remarks

We would like to thank the Management Board for successfully managing the company over the last year and would also like to thank our employees for what was, once again, an excellent performance. We would like to thank the employee representative bodies for another year of constructive collaboration.

Bochum, Germany, March 6, 2019

On behalf of the Supervisory Board,

Jürgen Fitschen

Corporate Governance Report

In this corporate governance declaration (also known as the Corporate Governance Report), we report, in accordance with Sections 289a and 315 (5) of the German Commercial Code (HGB) and No. 3.10 of the German Corporate Governance Code (GCGC) on the principles of management and corporate governance. The declaration contains the declaration of conformity, information on corporate governance practices, a description of how the Management Board and Supervisory Board work and key corporate governance structures. The declaration is also available to the public on our website at www.vonovia.de. Pursuant to Section 317 (2) (4) HGB, the disclosures pursuant to Sections 289 a, 315 (5) HGB are not included in the audit performed by the auditor of the annual financial statements.

https://investors.vonovia.de

Fundamental Information

Fundamental Understanding

Corporate governance is the responsible management and supervision of a company. The Management Board and the Supervisory Board are committed to the principles of corporate governance. The principles are the basis for the sustainable success of the company and therefore serve as guidelines for conduct in the company's daily management and business.

Good corporate governance strengthens the trust of our shareholders, business associates, customers, employees and the general public in Vonovia SE. It increases the company's transparency and strengthens the credibility of our group of undertakings. With balanced corporate governance, the Management Board and the Supervisory Board wish to safeguard Vonovia SE's competitiveness, strengthen the trust of the capital market and the general public in the company and sustainably increase the company's value.

Standards of Corporate Governance

As a major housing company, we are aware of the particular significance of our entrepreneurial actions for society at large. As a result, we are also committed to the general principles of corporate governance, as well as all the main aims and principles of the Institute for Corporate Governance in the German Real Estate Industry, which we have been a member of since November 14, 2003. The initiative supplements the corporate governance principles to include housing-specific aspects and is committed to even greater transparency, an improved image and a more competitive real estate sector.

Corporate governance, acting in accordance with the principles of responsible management aimed at increasing the value of the business on a sustainable basis, is an essential requirement for the Vonovia Group, embracing all areas of the business.

Our corporate culture is founded on transparent reporting and corporate communications, on corporate governance aimed at the interests of all stakeholders, fair and open dealings between the Management Board, the Supervisory Board and employees as well as on compliance with the law.

The Code of Conduct provides the ethical and legal framework within which we act and want to maintain a successful course for the company. The focus is on dealing fairly with each other but also in particular on dealing fairly with our tenants, suppliers, customers and investors. The Code of Conduct specifies how we assume our ethical and legal responsibility as a company and is the expression of our company values.

Information on the Company's Governing Constitution

The designation Vonovia comprises Vonovia SE and its Group companies. Vonovia is a European company (SE) in accordance with the German Stock Corporation Act (AktG), the SE Act and the SE Regulation. Its registered headquarters is in Bochum. It has three governing bodies: the Annual General Meeting, the Supervisory Board and the Management Board. The duties and authority of those bodies derive from the SE Regulation (SE-VO), the German Stock Corporation Act (AktG) and the Articles of Association. Shareholders, as the owners of the company, exercise their rights at the Annual General Meeting.

According to the two-tier governance system, Vonovia SE has a Management Board and a Supervisory Board. In the two-tier governance system, the management of business and the monitoring of business are strictly separated from each other. The duties and responsibilities of these two bodies are clearly specified by law in the German Stock Corporation Act.

In accordance with the governing laws, in particular the SE Regulation and the German SE Employee Participation Act (SEBG), the Supervisory Board is only made up of representatives of the shareholders. The highest representative body of the employees is the Group works council. An SE works council was also set up at the level of Vonovia SE.

The Management Board and Supervisory Board of a company listed in Germany are obliged by law (Section 161 of the German Stock Corporation Act) to report once a year on whether the officially published and relevant recommendations issued by the government commission German Corporate Governance Code, as valid at the date of the declaration, have been, and are being, complied with. Companies affected are also required to state which of the recommendations of the Code have not been, or will not be, applied and, if not, why.

The Management Board reports in its declaration, also on behalf of the Supervisory Board, on important aspects of corporate governance pursuant to Section 289 a of the German Commercial Code (HGB) and No. 3.10 of the German Corporate Governance Code (GCGC).

Declaration of Conformity to the GCGC Pursuant to Section 161 of the German Stock Corporation Act (AktG)

The Management Board and the Supervisory Board of Vonovia SE declare that the company complies with the recommendations made by the "Government Commission on the German Corporate Governance Code (GCGC)" as published on February 7, 2017, in the official section of the federal gazette by the German Federal Ministry of Justice.

Since issuing the previous declaration of conformity in May 2018, Vonovia SE has observed all of the recommendations in the GCGC with the following exception:

No. 7.1.2 sentence 3, 2nd half-sentence GCGC (interim financial reports):

The company was unable to publish the interim financial reports for the second and third quarter of the 2018 fiscal year within the recommended period due to the increased time required for the necessary consolidation process due to the acquisition of a majority stake in BUWOG AG. No. 7.1.2 sentence 3, 2nd half-sentence GCGC is adhered to again as of the fourth quarter of 2018.

Shareholders and Annual General Meeting

Shareholder Information: Shareholders can obtain full and timely information about our company on our website and can access current as well as historical company data. Among other information on its website, Vonovia regularly posts all financial reports, important information on the company's governing bodies (including resumes), its corporate governance documentation (declaration of conformity), information requiring ad hoc disclosure and press releases.

Directors' Dealings: Information on directors' dealings/managers' transactions notifiable pursuant to Article 19 of the Market Abuse Regulation is published by Vonovia without delay in accordance with the Regulation and is made available on the company's website.

Financial Calendar: Shareholders and interested members of the financial community can use a regularly updated financial calendar on the website to obtain information on publication, conference and information dates, roadshows and the timing of the Annual General Meeting early on.

Annual General Meeting and Voting: The Annual General Meeting decides in particular on the appropriation of profit, the ratification of the acts of the members of the Management Board and of the Supervisory Board, the appointment of the external auditor, amendments to the Articles of Association as well as specific capital measures and individually elects the shareholders' representatives to the Supervisory Board.

Our shareholders can exercise their voting rights at the meeting or instruct a proxy of their choice or one of the proxies provided for that purpose by the company. Our shareholders are also able to submit a postal vote. The details regarding the postal voting procedure are in the respective shareholder's invitation to the Annual General Meeting.

The entire documentation for the Annual General Meeting and opportunities to authorize, and issue instructions to, the company's proxies as well as to submit a postal vote are available to shareholders at all times on the Vonovia website.

There are no plans to allow the Annual General Meeting to be followed on the Internet.

Remuneration Paid to Executive Bodies: The remuneration paid to the Management Board and the Supervisory Board is set out in detail every year in the combined management report in line with the corporate governance requirements. The basic principles of the remuneration system for Management Board members have been approved by the Annual General Meeting. The Chairman of the Supervisory Board will submit subsequent changes to the Annual General Meeting.

Supervisory Board

Duties and Responsibilities

The Supervisory Board appoints, supervises and advises the Management Board and is directly involved in decisions of fundamental importance to the company. The Supervisory Board performs its work in accordance with the legal provisions, the Articles of Association, its rules of procedure and its resolutions. It consists of twelve members, who were each elected for a statutory period of tenure by the 2018 Annual General Meeting. The Supervisory Board continuously oversees the management and advises the Management Board.

The Supervisory Board examines and adopts the annual financial statements and the management report. It assesses and confirms the proposal for the appropriation of profit, as well as the consolidated financial statements and the combined management report, on the basis of the report prepared by the Audit Committee. The Supervisory Board reports in writing to the shareholders at the Annual General Meeting on the result of its examination.

The Chairman of the Supervisory Board is an independent member. The same applies to the chairs of the committees which the Supervisory Board has set up. → p. 39

The Chairman of the Supervisory Board chairs the meetings and coordinates communications. The members of the Supervisory Board generally have the same rights and obligations. Supervisory Board resolutions are above all passed in the Supervisory Board meetings but also, if necessary, using the written procedure or by other communication means. At least two meetings are held every six months. In addition, if necessary and on the basis of the rules of procedure of the Supervisory Board, a meeting of the Supervisory Board or its committees can be convened at any time at the request of a member or the Management Board. In the 2018 fiscal year, the Supervisory Board had seven meetings – including conference calls – and made decisions using the written procedure in two cases.

The Supervisory Board is composed in such a way that its members as a group have the knowledge, ability and specialist experience required to properly complete its tasks, and are all familiar with the real estate industry as the sector in which the company operates. Each Supervisory Board member shall ensure that he or she has enough time to carry out his or her mandate.

At least one member of the Supervisory Board has expertise in the fields of accounting or auditing (Section 100 [5] of the German Stock Corporation Act).

Two Supervisory Board members, who are also members of the management board of a listed company, do not have any other supervisory board mandates, over and above the Supervisory Board mandate at Vonovia, at non-group listed companies or on supervisory bodies of non-group entities that make similar requirements. At the time at which this declaration was prepared, no Supervisory Board members exercised directorships or advisory tasks for important competitors of the company (see below Conflicts of Interest).

The Supervisory Board performs regular efficiency reviews that are performed, in alternation, as self-evaluations using a written survey conducted among the members and with the involvement of an independent and experienced moderator in the form of personal interviews. The 2020 Annual Report will report on the next efficiency review, which is scheduled for 2019.

Supervisory Board Committees

The Supervisory Board sets up an Executive and Nomination Committee, an Audit Committee and a Finance Committee from among its members. Further committees are formed as required. Committees are made up of at least four members of the Supervisory Board. The committees prepare subjects which are to be discussed and/or resolved by the Supervisory Board. In addition, they pass resolutions on behalf of the entire Supervisory Board. The basis for committee work was the transfer of tasks and responsibilities within the scope of the legal provisions.

The **Executive and Nomination Committee** is made up of the Chairman of the Supervisory Board and four other members to be elected by the Supervisory Board. The Chairman of the Supervisory Board is the Chairman of the Executive and Nomination Committee. The tasks of this committee are, in particular, to prepare the appointment of Management Board members, to advise on the remuneration system, to assign responsibilities and to decide in cases of legal and loan transactions with members of the Management Board and conflicts of interest.

The **Audit Committee** handles, in particular, the monitoring of the accounting process, the effectiveness of the internal control system, risk management system and internal audit system, the audit of the annual financial statements and – unless another committee is entrusted therewith – compliance.

The Supervisory Board appoints one of the members of the Audit Committee as the Chairman of the Audit Committee. When electing the committee members, the Supervisory Board shall ensure that the Chairman of the Audit Committee has specialist knowledge and experience in the application of accounting principles and internal control processes. The Committee Chairman should be independent and not be a former member of the company's Management Board whose appointment ended less than two years before their appointment as Chairman of the Audit Committee. The chairman of the Supervisory Board shall not be the chairman of the Audit Committee.

The Audit Committee prepares the resolutions of the Supervisory Board on the annual financial statements (and, if applicable, the consolidated financial statements), and, in place of the Supervisory Board, reaches the agreements with the auditor (in particular the issuing of the audit mandate to the auditor, the determination of strategic audit objectives and the fee agreement). The Audit Committee takes suitable action to determine and monitor the independence of the auditor. In place of the Supervisory Board, the Audit Committee adopts resolutions on the approval of the contracts with the auditor on additional, non-audit-related consultancy services, insofar as, according to corporate governance procedures for the Management Board, these contracts require approval.

The **Finance Committee**, which consists of the Supervisory Board Chairman or the latter's Deputy Chairman and four other members, prepares the resolutions of the Supervisory Board on the following matters:

a) Financing and investment principles, including the capital structure of the Group companies and dividend payments
b) Principles of the acquisition and disposal policies, including the acquisition and disposal of individual shareholdings of strategic importance

In place of the Supervisory Board, the Finance Committee adopts resolutions in particular on general guidelines and principles for the implementation of this financial strategy, including the handling of currency risks, interest, liquidity and other financial risks and the handling of credit risks and the implementation of external financing principles as well as on important transactions regarding the acquisition and disposal of properties and shares in companies as well as on the acquiring of financing.

The Management Board

Duties and Responsibilities

The Management Board members are jointly accountable for independently managing the company in the company's best interests while complying with the applicable laws and regulations, the Articles of Association and the rules of procedure. In doing so, they must take the interests of the shareholders, the employees and other stakeholders into account.

The Management Board is monitored and advised by the Supervisory Board. It has adopted the rules of procedure in consultation with the Supervisory Board. The Management Board has a chairman who coordinates the work of the Management Board and represents it in dealings with the Supervisory Board. The Chairman of the Management Board has the right to veto Management Board resolutions.

The members of the Management Board are Rolf Buch (Chairman) as well as Klaus Freiberg, Helene von Roeder and Daniel Riedl. Further information can be found on → **p. 32 et seq.** of the 2018 Annual Report. The decision has been made not to establish any Management Board committees.

The Management Board informs the Supervisory Board regularly, in due time and comprehensively in line with the principles of diligent and faithful accounting in accordance with the law and the reporting duties specified by the Supervisory Board.

The Management Board develops the company's strategy, coordinates it with the Supervisory Board and implements it. The Management Board ensures that all statutory provisions and the company's internal policies are complied with. The Management Board also ensures appropriate risk management and risk controlling in the company.

It submits the corporate planning for the coming fiscal year to the Supervisory Board as well as the midterm and strategic planning. The Chairman of the Management Board informs the Supervisory Board Chairman without delay of important events that are essential for the assessment of the situation and the development of the company or for the management of the company as well as of any shortcomings that occur in the monitoring systems.

The Management Board requires the approval of the Supervisory Board for certain important transactions. Transactions and measures that require Supervisory Board approval are submitted to the Supervisory Board in good time.

The Management Board members are obliged to disclose any conflicts of interest to the Supervisory Board without delay and to inform the other Management Board members accordingly.

The Management Board members are subject to a comprehensive non-competition obligation. Management Board members may only take up sideline activities, in particular positions on supervisory boards outside the Group, with the approval of the Supervisory Board.

Important transactions between the company, on the one hand, and the Management Board members as well as persons they are close to or companies they have a personal association with, on the other hand, require the approval of the Supervisory Board. Reference is made to such relations in the remuneration report.

Recruitment of Members of Executive Bodies

In accordance with the German Corporate Governance Code, the Supervisory Board and the Management Board must be composed in such a way that these bodies/their members as a group have the knowledge, ability and specialist experience required to properly complete their tasks. The requirements were extended and set out by law with the entry into force of the CSR Directive Implementation Act. The Supervisory Board has adopted the following criteria and objectives for recruiting individuals to the Management and Supervisory Boards, taking the above mentioned requirements into account:

Recruitment of Members of the Supervisory Board

Composition: As a listed company that is not subject to codetermination, the Supervisory Board of Vonovia SE is to include twelve members, an appropriate number of whom are to be independent within the meaning of the Code. All members should have sufficient time available to perform the duties associated with their mandate with due regularity and care.

When proposing candidates to fill new Supervisory Board positions to the Annual General Meeting, the Supervisory Board should have performed an extensive review to ensure that the candidates standing for election meet the corresponding professional and personal requirements (see below) and must disclose the candidates' personal and business-related relationships with the company, the governing bodies of the company and any shareholders with a material interest in the company. Shareholders are deemed to hold a material interest if they hold more than 10% of the voting shares in the company, either directly or indirectly.

Other general criteria governing composition include:

> No more than two former members of the Management Board shall be members of the Supervisory Board.
> Supervisory Board members shall not exercise directorships or similar positions or advisory tasks for important competitors of the company.
> If a (designated) member belongs to the management board of a listed company, this member shall not accept more than a total of three supervisory board mandates in non-group listed companies or on supervisory bodies of non-group entities that make similar requirements.
> The standard limit for length of membership on the Supervisory Board has been set at a maximum of 15 years.
> The age limit has been set at 75 at the time of election to the Supervisory Board.

Skills profile: The Supervisory Board of Vonovia SE should be composed so as to ensure qualified supervision of, and provision of advice to, the Management Board. The candidates nominated for election to the Supervisory Board should be able, on the basis of their knowledge, skills and professional experience, to perform the duties of a Supervisory Board member of a listed real estate company that is active on the international capital market.

In terms of their personality, the candidates nominated for election should show integrity, professionalism and commitment. The aim is to ensure that the Supervisory Board as a whole offers all of the knowledge and experience that the Group considers to be important for ensuring Vonovia's operational and financial further development.

Independence: The Supervisory Board shall only include members that it considers to be independent. Material conflicts of interest that are not merely of a temporary nature, e.g. arising from functions on executive bodies or advisory roles performed at the company's major competitors, should be avoided. A Supervisory Board member is, in particular, not to be considered independent if they have personal or business relations with the company, its bodies, a controlling shareholder or a company associated with such a shareholder that may cause a substantial and not merely temporary conflict of interest.

Diversity: When nominating candidates for election, the Supervisory Board should also take diversity into account. In accordance with the German Act on the Equal Participation of Women and Men in Leadership Positions in the Private Sector and the Public Sector (Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen in Privatwirtschaft und im öffentlichen Dienst), the Supervisory Board should comprise at least 30% women and 30% men. In addition, at least one woman should be a member of the Nomination Committee. Vonovia's Supervisory Board should meet both criteria.

When assessing potential candidates for reelection or to fill a Supervisory Board position that has become vacant, qualified women should be included in the selection process and given appropriate consideration when the nominations are made.

Target Achievement: The objectives regarding the composition of the Supervisory Board set out above have been met:

There are four female members of the Supervisory Board (33 %). Hildegard Müller, Clara-Christina Streit and Dr. Ariane Reinhart are members of the Executive and Nomination Committee. All 12 members of the Supervisory Board are considered by the latter to be independent within the meaning of No. 5.4.2 of the GCGC. The main knowledge, skills and professional experience of the Supervisory Board members are summarized in the table below. The Report of the Supervisory Board in this Annual Report includes a table showing meeting attendance. → p. 37 It shows that all members performed the duties associated with their mandate with due regularity.

Supervisory Board Qualifications Profile

					Key skills & areas of experience*							
Name	Independent?	Year of birth	Year appointed	Nationality	Accountancy, finances	Real estate	Strategy	Legal and regulation	International experience, M&A, capital markets	Investment expertise	Digitization	Sustainability
Jürgen Fitschen (Chairman)	yes	1948	2018	German	x		x	x	x	x		
Prof. Dr. Edgar Ernst	yes	1952	2013	German	x		x	x	x	x		
Burkhard Ulrich Drescher	yes	1951	2014	German		x	x	x			x	x
Vitus Eckert	yes	1969	2018	Austrian		x	x	x	x	x		
Dr. Florian Funck	yes	1971	2014	German	x		x	x	x	x		
Dr. Ute Geipel-Faber	yes	1950	2015	German	x	x			x	x		
Daniel Just	yes	1957	2015	German	x	x	x			x		x
Hildegard Müller	yes	1967	2013	German	x		x	x			x	x
Prof. Dr. Klaus Rauscher	yes	1949	2008	German	x	x	x	x	x			
Dr. Ariane Reinhart	yes	1969	2016	German			x	x	x		x	x
Clara-Christina Streit	yes	1968	2013	German/US	x		x		x	x	x	
Christian Ulbrich	yes	1966	2014	German		x	x		x	x	x	

* The members of the Supervisory Board can specify up to 5 areas of expertise.

Recruitment of Members of the Management Board

In accordance with the German Corporate Governance Code, the Management Board is responsible for managing the company in the best interests of the company, meaning that it considers the needs of the shareholders, the employees and other stakeholders, with the objective of sustainable value creation. The Management Board develops the strategy for the company, agrees it with the Supervisory Board and ensures its implementation. The Management Board ensures that all provisions of law and the company's internal policies are complied with, and endeavors to achieve their compliance by the Group entities (compliance). The Management Board is also responsible for ensuring appropriate risk management and risk control and, when filling management positions, must take the diversity principles into account in accordance with the objectives that have been set internally.

Composition: In accordance with the Articles of Association, the Management Board of Vonovia SE consists of at least two members. The Supervisory Board appoints the Management Board members in accordance with the Articles of Association and the law. The Supervisory Board can appoint a Chairman of the Management Board and a Deputy Chairman of the Management Board.

The decisions made by the Supervisory Board on the composition of the Management Board should be based on a careful analysis of the existing and future challenges facing the company.

The Management Board of Vonovia SE should be composed so as to ensure that, as the management body, it can perform the duties set out above reliably and in full. When taken as a whole, it should combine all of the knowledge and experience required to ensure that the Group can pursue its operational and financial objectives in an effective and sustainable manner in the interests of the shareholders and other stakeholders.

While membership of the Management Board is not limited to a certain period of time, the contract of employment of a Management Board member ends when the member turns 67 at the latest.

Skills profile: Newly appointed Management Board members should be able, on the basis of their knowledge, skills and professional experience, to reliably perform the duties assigned to them in a listed real estate company that is active on the international capital market. In addition to having good professional and fundamental general qualifications, they should also show integrity, professionalism and commitment.

Independence: The Management Board should perform its management duties in a manner that is free of any conflicts of interest. Functions on executive bodies or advisory roles performed at major competitors of the company should be avoided.

Diversity: When looking for candidates to fill a Management Board position that has become vacant, the Supervisory Board should include qualified women in the selection process and give them appropriate consideration. Gender should be irrelevant when it comes to filling Management Board positions. The Supervisory Board has set a target of at least 20% women on the Management Board, to be met by December 31, 2021. For the two levels of management below the Management Board, the target for the proportion of women is 30%.

Target Achievement: The objectives regarding the composition of the Management Board set out above have been met in full. The Management Board consists of one female and three male members who are able to manage the Group appropriately on the basis of their experience and skills. At the time at which this declaration was made, the first level of management below the Management Board still comprises 17.6% women, as the corresponding group of employees remains unchanged. The aim is to use corresponding succession planning to have achieved the new target of 30% by December 31, 2021. At 33.9%, the targeted proportion of women set by the Management Board for the second level of management below the Management Board has already been met.

Cooperation Between the Management Board and the Supervisory Board

The Management and Supervisory Boards vote on the strategic direction of the company and discuss the current status of its implementation at regular intervals. Furthermore, the Management Board regularly informs the Supervisory Board in written or verbal reports of topics including the development of business and the situation of the company. In this way, the Supervisory Board receives detailed documents from the Management Board regularly and in a timely manner on the economic development and the company's current situation as well as the half-yearly risk management and compliance reports that deal with the most important risks for the business of Vonovia SE as well as compliance management. On the basis of these reports, the Supervisory Board monitors the company's management by the Management Board, as well as via its committees where particular powers are delegated to these committees. The Supervisory Board meets on a regular basis without the Management Board if personnel matters relating to the Management Board are to be discussed.

Avoidance of Conflicts of Interest

In the fiscal year, there were no conflicts of interest of Management Board or Supervisory Board members, which are to be reported immediately to the Supervisory Board. There was no need to discuss or make decisions on legal matters, in particular lending transactions with members of executive bodies or individuals related to them.

Accounting and Financial Statement Auditing

The Annual General Meeting selected KPMG AG Wirtschaftsprüfungsgesellschaft as auditor for the annual financial statements and consolidated financial statements. In the audit assignment awarded to the auditor of the annual financial statements by the Audit Committee, an agreement has also been reached on adherence to the provisions set out in No. 7.2.1 (2) and 7.2.3 GCGC. We prepare the annual financial statements of Vonovia SE in accordance with the German Commercial Code (HGB) and the German Stock Corporation Act (AktG) and the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) to be applied in the EU. In addition, we prepare a combined management report as required by the German Commercial Code and the German Stock Corporation Act (AktG). The Management Board is responsible for financial accounting. The Supervisory Board examines and adopts or approves the annual financial statements, the consolidated financial statements and the combined management report.

In addition to our annual financial statements, we also prepare interim statements for the first and third quarters, as well as an interim financial report for the first half-year in accordance with the German Securities Trading Act.

Both the interim statements and the interim financial report are presented to, and discussed with, the Audit Committee of the Supervisory Board before they are published.

Under German stock corporation and commercial law, there are special requirements for internal risk management that apply to Vonovia. Therefore, our risk management system covers risk inventory, analysis, handling and limitation. In accordance with Section 317 (4) of the German Commercial Code applicable to listed companies, KPMG assesses in its audit the risk early warning system as part of the risk management system.

Furthermore, we maintain standard documentation of all our internal control mechanisms throughout the Group and continually evaluate their effectiveness. Our auditor has not reported any material weaknesses in the accounting-related internal control system detected in its audit to the Management Board and the Supervisory Board.

In the combined management report, we provide comprehensive information on the main features of the internal control and risk management system with regard to the accounting process and the Group accounting process in accordance with our reporting duties pursuant to Sections 289 (5), and 315 (2) No. 5 of the German Commercial Code.

Vonovia SE on the Capital Market

- > Shares in Vonovia significantly outperform DAX and EPRA Europe Benchmark Indices in relative terms in 2018
- > Dividend: Increased for the fifth time running – Stock Dividend meets with high level of acceptance again
- > First-Ever Corporate Governance Road Show generates keen interest among investors
- > Inclusion in the Sustainability Equity Index GPR IPCM LFFS Sustainable GRES Index

Developments on the International Capital Markets

2018 was a very unsettled year for the international capital markets. Uncertainty regarding future interest rate developments and brewing trade conflicts, coupled with international political tension and fears of escalation, put pressure on capital markets across the globe.

The Dow Jones, for example, lost 6.7% in 2018, with the Dax losing as much as 18.3%. The EPRA index for European real estate stocks also closed the year with negative performance, namely at 1981.17 points, down by 11.7% in a year-on-year comparison.

Looking at the performance of the eurozone's major industrial sectors, it becomes clear that virtually all segments, including the real estate segment that also includes Vonovia's shares, came under pressure in 2018.

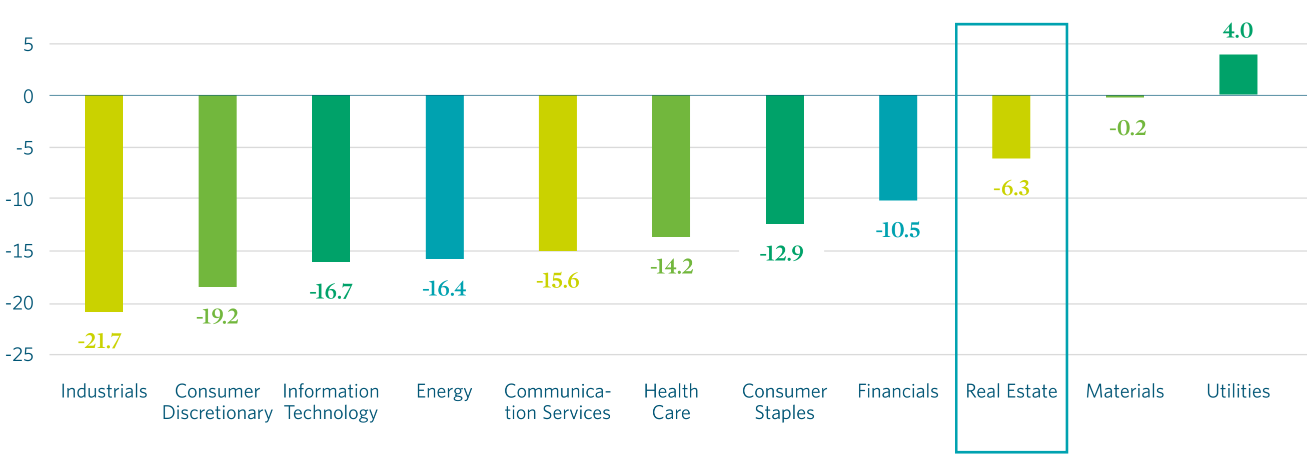
Shares in Vonovia

Although Vonovia's share price fell by approximately 4% in the 2018 fiscal year, dropping from a closing price of € 41.39 on December 31, 2017, to a closing price of € 39.59 on December 31, 2018, Vonovia's shares significantly outperformed the German leading index, the DAX, the EPRA index and the eurozone real estate industry as a whole in the course of the year.

We believe that the environment for the German residential real estate sector remains positive in general. In our view,

Development of Industrial Sectors in the Eurozone in 2018

in % Source: Thomson Reuters

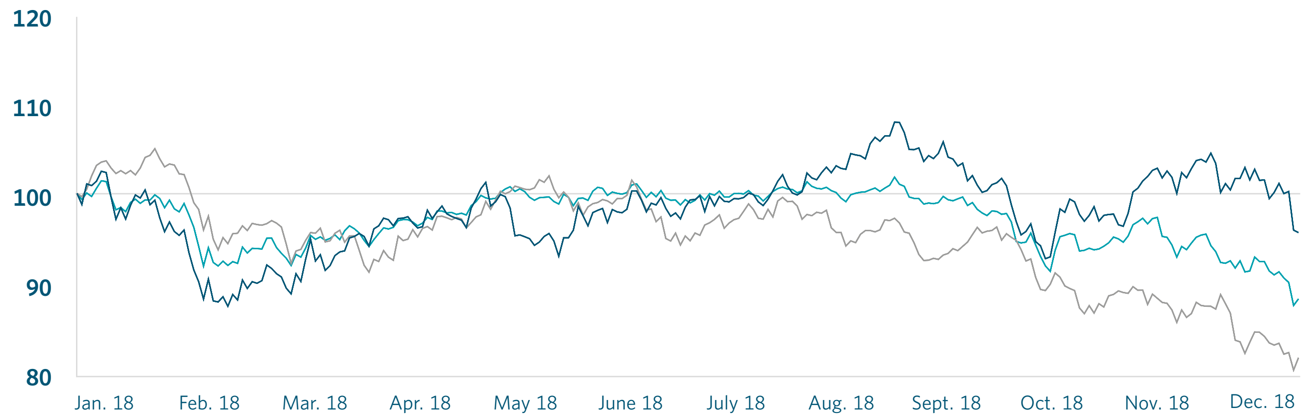


Share Price Development

■ Vonovia SE ■ DAX ■ FTSE EPRA Nareit Development Europe

Source: FactSet

in %

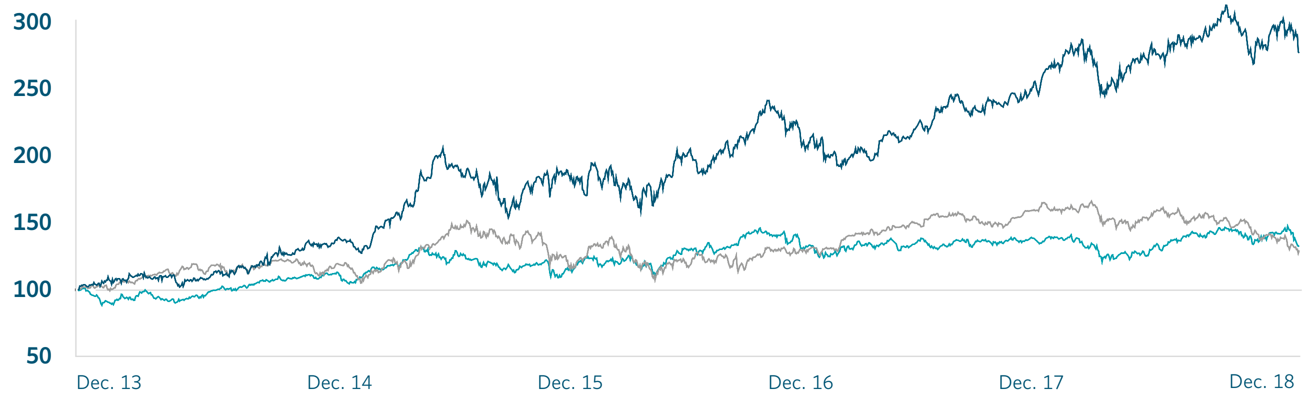


Long-term Yield

■ Vonovia SE ■ DAX ■ FTSE EPRA Nareit Development Europe

Source: FactSet

in %



the main drivers behind this will be the imbalance between high demand for and a short supply of affordable housing in urban locations, the ongoing favorable environment of low interest rates and a continued keen interest in German residential real estate.

Vonovia's market capitalization amounted to € 20.5 billion at the end of 2018.

Long-term Yield

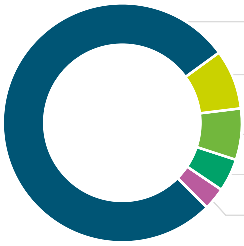
An investor who bought shares in Vonovia when the company went public in 2013 and has held them ever since, reinvesting each dividend in more shares in Vonovia, will have seen the value of his/her securities deposit account increase by approx. 180% by December 2018, achieving a result that far outstrips the performance of an investment in the benchmark indices.

Shareholder Structure

The chart below shows the voting rights pursuant to Sections 33 and 34 of the German Securities Trading Act (WpHG) as notified by the shareholders in relation to the current share capital. The number of voting rights reported could have changed within the respective thresholds without triggering an obligation to notify the company.

Based on the German stock exchange's definition of free float, only the interest held by Norges Bank (Ministry of Finance on behalf of Norway) does not count towards the free float. This means that 93.1% of Vonovia's shares were in free float on December 31, 2018. The underlying voting rights

Major Shareholders (as of December 31, 2018)



notifications and corresponding financial instruments reported by shareholders or other instruments pursuant to Sections 38, 39 WpHG can be found online. **https://investors.vonovia.de/disclosure-of-voting-rights/**

In line with Vonovia's long-term strategic focus, the majority of its investors have a similarly long-term focus. The company's investors include pension funds, sovereign wealth funds and international asset managers in particular. There is also a large number of individual shareholders, although they only represent a small proportion of the total capital.

2018 Annual General Meeting

The Annual General Meeting of Vonovia SE was held in Bochum on May 9, 2018; 69.82% of the subscribed capital was represented. Since 2018, our investor portal (German report: investoren.vonovia.de/investorportal English report: investors.vonovia.de/investorportal) has given our shareholders a convenient option allowing them to attend to all formalities relating to registering for, and voting at, the Annual General Meeting online. **https://investors.vonovia.de/investorportal**

In the presence of around 300 guests and shareholders, all resolution proposals were accepted by the Annual General Meeting, including the proposal to distribute a dividend of € 1.32 per share for the 2017 fiscal year. This corresponds to an increase of 18% year-on-year and to a dividend yield of 3.2% based on the closing price of € 41.39 on the reporting date of December 31, 2017. The cash dividend for the 2017 fiscal year was paid out from a contribution account for tax purposes. It was therefore paid out to shareholders without capital gains tax or the solidarity surcharge being deducted. Vonovia also offered a stock dividend as an alternative option to a cash dividend for the second time. This meant that every shareholder had the choice of receiving the dividend in cash or opting for the receipt of new shares in order to benefit more strongly from any future increase in value of the company. During the subscription period, 40.9% of shareholders opted for the stock dividend as opposed to the cash dividend. As proposed by the Management Board and the Supervisory Board, the Annual General Meeting also resolved to increase authorized capital to the extent permitted by law. This financial flexibility is designed to enable the company to quickly and comprehensively increase its equity resources.

Investor Relations Activities

Vonovia SE is committed to transparent, ongoing dialogue with its shareholders and potential investors. In the 2018 fiscal year, Vonovia participated in a total of 18 investors' conference days and organized 27 roadshow days in the most important European, Asian and North American financial centers. In addition, Vonovia took part in various investor forums and numerous one-on-one meetings and teleconferences were held with investors and analysts to keep them informed of current developments and special issues.

In the fall of 2018, the Chairman of the Supervisory Board Jürgen Fitschen conducted a Corporate Governance Road Show together with the Head of Investor Relations to discuss corporate governance at Vonovia with 14 of the company's largest institutional investors. The event saw three topics emerge as being particularly relevant to the company's shareholders: Supervisory Board (composition, skills profile, remuneration, etc.), Management Board remuneration and authorized capital. Although corporate governance road shows are becoming increasingly popular at listed companies, they are not yet common practice. The response to the transparent information on how corporate governance is put into practice at Vonovia was very positive, and we intend to continue to organize these events at regular intervals.

The fifth Capital Markets Day, which focused on "Unlocking Potential," took place in Berlin on June 5, 2018. In three workshops on energy, neighborhood development and project development, Vonovia demonstrated to the 55 external participants the business potential that these and other topics have to offer. The event wrapped up with a property tour that made two stops. First, smaller groups of participants were given a tour of a new construction project, where they were able to experience how professional development and sustainable construction is transforming an unused property into a high-value neighborhood with condominiums and rental apartments. The participants were then shown a neighborhood development project so they could see how socially responsible neighborhood development works. By viewing two model apartments, the group was able to get an idea of how senior-friendly modernization can be successfully realized.

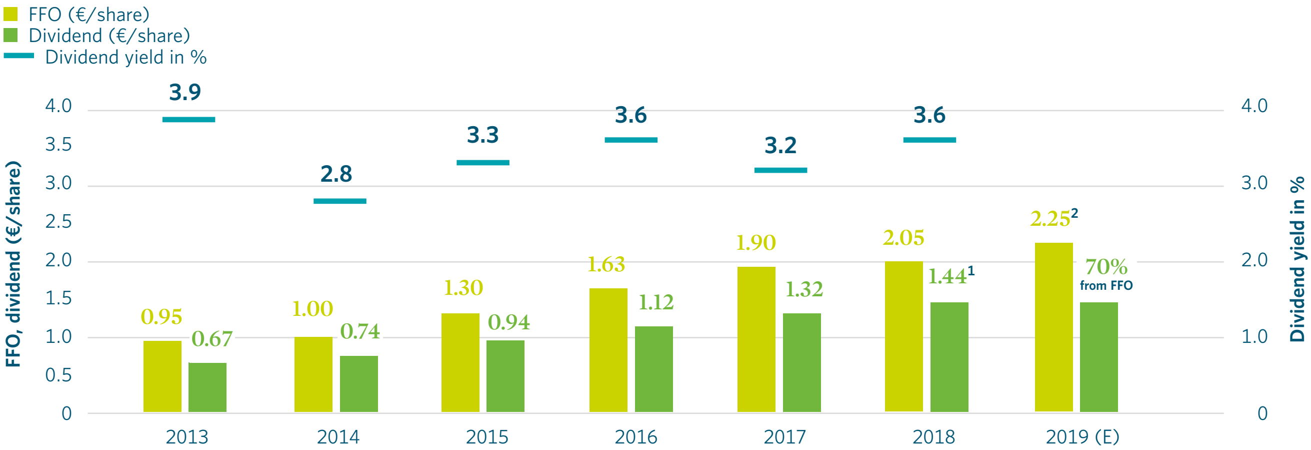
The Investor Relations team also organized and carried out numerous property tours for interested investors and analysts on location with colleagues from the operational areas of the company. The aim of these events was to provide the participants with firsthand insight into Vonovia's real estate portfolio and processes. Investor Relations also held detailed presentations on Vonovia and the situation on the German residential real estate market at informational events for private shareholders.

In 2019, we will continue to communicate openly with the capital market. Various roadshows, conferences and participation in investor forums have already been planned. Information can be found in the Financial Calendar on our Investor Relations website. **https://investors.vonovia.de**

Positive Analyst Assessments

At present, 31 international analysts publish studies on Vonovia on a regular basis (as of December 31, 2018). The average target share price was € 47.50 as of December 31, 2018. Of these analysts, 66% issued a "buy" recommendation, with 27% issuing a "hold" recommendation and 7% recommending that investors sell the company's shares. One broker has currently suspended coverage of Vonovia due to takeovers.

Attractive Dividend



1 Dividend proposed to the Annual General Meeting 2019.
2 Average forecast value. 2019 = Group FFO. All previous years FFO 1. 2013, 2014 TERP-adjusted.

Successful Development of Vonovia's Shares Over a Period of Several Years

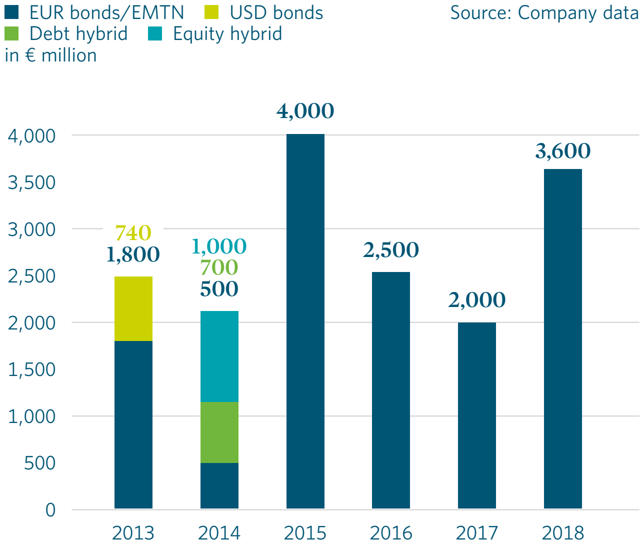
	2013	2014	2015	2016	2017	2018
Annual closing price (€)	17.13*	26.75*	28.55	30.91	41.39	39.59
High (€)	18.79*	26.75*	33.23	36.81	41.88	44.70
Low (€)	16.75*	17.13*	24.19	24.99	29.96	36.20
No. of shares as of Dec. 31	224,242,425*	271,622,425*	466,000,624	466,000,624	485,100,826	518,077,934
Market cap as of Dec. 31 (€ billion)	3.84*	7.3*	13.3	14.4	20.1	20.5
Average transaction volume per day (VWAP in € million)	1.3*	12.3*	45.2	41.2	47.6	55.8
Dividend per share (€)	0.67*	0.74*	0.94	1.12	1.32	1.44**
Dividend yield (%)	3.9	2.8	3.3	3.6	3.2	3.6

* Values are TERP-adjusted.
** Dividend proposed to the Annual General Meeting.
Source of share prices: Factset

Share Information

1st day of trading	July 11, 2013
Subscription price	€ 16.50
Total number of shares	518,077,934
Share capital in €	€ 518,077,934
ISIN	DE000A1ML7J1
WKN	A1ML7J
Ticker symbol	VNA
Common code	94567408
Share class	Registered shares with no par value
Stock exchange	Frankfurt Stock Exchange
Market segment	Regulated market (Prime standard)
Indices & weighting Dec. 31, 2018	DAX (2.4%) | Stoxx Europe 600 (0.3%) | MSCI Germany (2.0%) | GPR 250 World (1.7%) | FTSE EPRA/NAREIT Europe Index (9.8%) | GPTMS150 (2.6%)

Vonovia's Issue Volume Per Year



Share Information

The continuity of our business strategy is also reflected in our dividend policy. Our aim is to distribute around 70% of our Group FFO to our shareholders. As far as the 2018 fiscal year is concerned, we plan to propose a dividend per share of € 1.44 to the Annual General Meeting, which represents an increase of 9% as against 2017.

Financing Environment

2018 was characterized by a loose monetary policy and by the stabilization of economic data from the eurozone. There are increasing signs that inflation could gather speed in the medium term.

In the euro area, however, the European Central Bank's decision to continue with its asset purchase program, albeit on a smaller scale, up until September 2018 resulted in a stable interest rate environment overall. In June 2018, the ECB President announced that the asset purchase program would not be discontinued until the turn of the year 2018/2019. The ECB will, however, continue to reinvest payments from maturing bonds in further asset purchases even after this date. In September 2018, the ECB had voted to reduce its asset purchases made after September 2018 to a volume of € 15 billion a month, confirming that interest rates would remain at the current low level until mid-2019 at the very least.

The yield on ten-year German Federal bonds fluctuated in 2018, but without any sustained trend towards higher market interest rates. Increased macroeconomic risks, such as global trade conflicts and the uncertainty surrounding Brexit, bolstered the demand for low-risk bonds.

The Federal Reserve Bank (Fed), the world's largest central bank, made radical changes to its monetary policy course in 2018. It is no longer investing in bonds, meaning that it is not supplying the financial markets with any additional liquidity. On the contrary, bonds purchased by the Fed are even being sold again.

One of the World's Biggest Capital Market Issuers

The rating agency Standard & Poor's has assigned Vonovia a long-term corporate credit rating of BBB+ with a stable outlook and a short-term credit rating of A-2. Our first-class credit rating continues to give us unrestricted access to the international capital markets, on which we were able to establish ourselves within a short period of time. With an average issue volume of € 3.0 billion a year between 2015 and 2018, we rank 14th out of the world's top 15 EUR investment grade issuers based on analyses performed by Dealogic.

Successful Financing Measures in 2018

Thanks to the positive economic environment and the expansionary monetary policy pursued by a large number of countries, the global demand for investment among investors remained high in the first half of the year. As of the middle of the second half of the year, however, the announcement made by the European Central Bank on the gradual reduction of its asset purchase program, the potential for trade wars and the tension between the EU and Italy had a negative impact on risk premiums on the bond markets. Vonovia's bonds did not escape this trend unscathed.

In 2018, Vonovia placed an issue volume of € 3.6 billion in total on the primary market (2017: € 2.0 billion) at volume-weighted average interest cost of 1.45% (2017: 0.91% p. a.). The average maturity of the bonds we issued was 9.3 years in 2018 (2017: 6.3 years). This means that we were able to make active use of the attractive market environment in 2018 in order to extend our average maturity and further smoothen our maturity profile.

In order to increase its flexibility as far as refinancing strategies are concerned, Vonovia increased its commercial paper program by € 500 million to an issue volume of up to € 1.0 billion in 2018. The working capital facility was also increased by € 500 million to € 1 billion in 2018. Details on the financing portfolio can be found in the Notes to the consolidated financial statements.

Capital Market Outlook

As Vonovia does not have any operating business in the UK, Brexit is not expected to have any direct negative consequences for the company. As a result, the potential negative implications of Brexit for Vonovia are unlikely to be material. An escalation in the potential trade wars could put a damper on the macroeconomic climate and the global growth outlook, possibly leading to negative repercussions on the capital markets.

The reputation of German real estate stocks as a safe haven could be enhanced as a result of Brexit if investors opt to pull capital out of real estate stocks in the UK and seek alternative investment opportunities. This sort of increased demand could actually have a positive impact on the performance of Vonovia's shares.

We concur with a large number of analysts and market participants and expect receptive borrowing markets and attractive financing conditions to continue over the medium term due to an economic outlook that remains attractive, albeit slightly less than in the previous year, and based on the levels of liquidity that are still available. Given the global nature of the borrowing markets, we do not currently expect that the ongoing Brexit negotiations have any long-term impact in this regard either.

With a level of debt that is consistently in the Pfandbrief-eligible range and their investment grade rating, Vonovia's debt instruments will remain a sought-after investment – even if investment pressure is low or liquidity levels drop. We do not expect to see any direct correlation between interest rate developments and earnings given the long maturities of our financing instruments and the steady maturity profile. Rather, it is evident that the supply/demand situation regarding residential real estate market and, as a result, rental development has much more of an impact on earnings. This is enhanced by the results of the Value-add segment, which is unrelated to interest rates.

As far as interest rates are concerned, we do not expect to see any significant changes within the next 12 months, nor do we predict any marked increase in risk premiums, compared with the level witnessed at the end of 2018, following the reduction of the European Central Bank's asset purchase program.

Spread Development (in Basis Points)