



**Deutsche Wohnen AG**

Frankfurt am Main

ISIN DE0006283302

WKN 628330

ISIN DE000A0HN5C6

WKN A0HN5C

ISIN DE000A1X3R56

WKN A1X3R56

**Invitation to the General Shareholders Meeting 2014**

The shareholders of our Company are hereby invited to attend the  
**General Shareholders Meeting 2014**  
taking place  
at

Eventpassage  
Kantstraße 8  
(Entrance Yva-Bogen)  
10623 Berlin

at 10.00 (CEST)

**on Wednesday, June 11, 2014**

## **I. Agenda**

- 1. Presentation of the approved annual financial statements and the Supervisory Board-approved consolidated financial statements as of December 31, 2013, the management reports for the Company and the Group, including the Supervisory Board Report for the 2013 financial year, as well as the Explanatory Management Board Report on the disclosure pursuant to Sections 289 paragraphs 4 and 5, and Section 315 paragraph 4 of the German Commercial Code (HGB) as of December 31, 2013**

The Supervisory Board has approved the annual financial statements and consolidated financial statements prepared by the Management Board; the annual financial statements are thus approved. The passing of a resolution by the General Shareholders Meeting with respect to Agenda Item 1 is therefore not envisaged as well as not being necessary. These documents will only be made available to the General Shareholders Meeting instead and shall be explained by the Management Board or, in the case of the Supervisory Board Report, by the Chairman of the Supervisory Board. As part of their right to information, the shareholders will have the opportunity to ask questions about the documents.

- 2. Passing of a resolution concerning the appropriation of the net profit available for distribution for the 2013 financial year by Deutsche Wohnen AG**

The Management Board and the Supervisory Board propose appropriating the net profit available for distribution of EUR 57,428,428.62 in the approved annual financial statements as of December 31, 2013, as follows:

Distribution to shareholders:

Distribution of a dividend of EUR 0.34 per registered share or bearer share featuring the securities identification numbers ISIN DE0006283302 or ISIN DE000A0HN5C6, which are entitled to dividends for the 2013 financial year; for 168,907,143 registered and bearer shares, this equates to net profit available for distribution

EUR	57,428,428.62
EUR	57,428,428.62

- 3. Passing of a resolution on the approval of the actions of the Management Board for the 2013 financial year 2013**

The Management Board and the Supervisory Board propose that the members of the Management Board officiating in the 2013 financial year be granted discharge for that financial year.

**4. Passing of a resolution on the approval of the actions of the Supervisory Board for the 2013 financial year**

The Management Board and the Supervisory Board propose that the members of the Supervisory Board officiating in the 2013 financial year be granted discharge for that financial year.

**5. Election of the auditor of the annual financial statements and of the auditor of the consolidated financial statements, as well as of the auditor for any audited review of the half-year financial report for the 2014 financial year**

On the recommendation of the Audit Committee, the Supervisory Board proposes passing the following resolution:

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, is to be appointed as the auditor of the annual financial statements and auditor of the consolidated financial statements, as well as the auditor for any audited review of the half-year financial report for the 2014 financial year.

**6. Elections to the Supervisory Board**

The Supervisory Board is made up of six members, all of whom are to be elected by the shareholders, in accordance with Sections 95, 96 paragraph 1, 101 paragraph 1 German Stock Corporation Act (*AktG*) and Section 6 paragraph 1 of the Articles of Association. The General Shareholders Meeting is not bound to election proposals.

Dr. Michael Leinwand has resigned from his position on the Supervisory Board of Deutsche Wohnen AG with effect as of the end of the General Shareholders Meeting on June 11, 2014, in accordance with Section 6 paragraph 3 of the Articles of Association. As a result, a member of the Supervisory Board must be newly elected.

Under these circumstances and on the basis of the recommendation of the Nomination Committee of the Supervisory Board, the Supervisory Board proposes the following resolution:

Mr. Claus Wisser, a businessman who lives in Frankfurt am Main, is appointed as a member of the Supervisory Board of Deutsche Wohnen AG for a term of office ending at the close of the General Shareholders Meeting that resolves on the formal approval of the actions for the fourth financial year after the beginning of the term of office, not including the financial year in which the term of office commences.

Mr. Claus Wisser is currently a member of the following supervisory boards and controlling bodies, in accordance with Section 285 paragraph 2 number 10 German Commercial Code (*HGB*) in conjunction with Section 125 paragraph 1 sentence 5 German Stock Corporation Act (*AktG*):

- Chairman of the Supervisory Board of AVECO Holding AG, Frankfurt am Main
- Chairman of the Supervisory Board of DFV Deutsche Familienversicherung AG, Frankfurt am Main

Information on Section 5.4.1 paragraphs 4 to 6 German Corporate Governance Code (*DCGK*):

AVECO Holding AG is a holding company of the WISAG group and Mr. Claus Wisser is the company founder and chairman of the Supervisory Board. There is a business relationship between WISAG group, as the provider, and FACILITA Berlin GmbH, a group company of the Deutsche Wohnen Group, as the recipient of services, regarding the provision of building cleaning and maintenance services. The Supervisory Board of Deutsche Wohnen AG believes that Mr. Claus Wisser is independent in the sense of Section 5.4.2. German Corporate Governance Code (*DCGK*), as these business relationships, which are relatively minor, do not represent any material conflict of interest.

## **7. Passing of a resolution concerning the approval of the compensation system applying to the members of the Management Board**

The General Shareholders Meeting held on May 31, 2011 approved the compensation system applying to the members of the Management Board, which included the basis for determining the Management Board's compensation for the 2013 financial year. After the Supervisory Board has approved changes to the compensation system for the Management Board on March 20, 2014, we should once again make use of the opportunity created by the Act on the Appropriateness of Management Board Compensation (*VorstAG*) to pass a resolution at the Shareholders General Meeting concerning the approval of the compensation system applying to the members of the Management Board.

In comparison with the existing compensation system, which consists of a fixed compensation component, a short-term variable component and a long-term variable component and which is described in detail in the remuneration report (which is part of the documents concerning Agenda Item 1 of this year's General Shareholders Meeting, the new compensation system provides for the following change:

The long-term variable compensation component – Long Term Incentive (LTI) has previously been calculated according to the provisions of the Deutsche Wohnen management share ownership program “Performance Share Unit Plan” (“**PSU Plan**”). The PSU Plan shall be replaced by a share options program (“**AOP 2014**”) to be approved under Agenda Item 16. The members of the Management Board shall, as persons eligible for AOP 2014, participate under the AOP 2014 conditions set out in Agenda Item 16. The AOP 2014 conditions are also detailed in the Management Board's report for this Agenda Item (see Item II.4 in this invitation). Instead of receiving stock options under AOP 2014, the Supervisory Board may grant the Management Board acquisition rights to the Company's shares under comparable conditions. Otherwise, any claims by members of the Management Board in this respect may also be fulfilled by transferring treasury shares acquired by the Company. The General Shareholders Meeting will vote separately on AOP 2014 under Agenda Item 16.

The Management Board and Supervisory Board propose that the following resolution be passed:

The General Shareholders Meeting approves the new compensation system applying to the members of the Deutsche Wohnen AG Management Board.

**8. Passing of a resolution concerning the creation of Authorized Capital 2014 with the possibility of excluding subscription rights and cancelling the existing authorized capital and corresponding change to the Articles of Association**

The Management Board did not utilize the authorization granted to them by the General Shareholders Meeting on May 28, 2013 to increase the Company's share capital, with the consent of the Supervisory Board, by up to EUR 80,378,000.00 once or several times in the period until May 27, 2018 by the issuance of up to 80,378,000 new no-par value bearer shares against a contribution in cash and/or in kind (Authorized Capital 2013).

On August 20, 2013, the Management Board and Supervisory Board of the Company passed precautionary resolutions to increase the Company's share capital by utilizing the Company's Authorized Capital 2013 of up to 33,781,428 new bearer shares under the exclusion of subscription rights for a voluntary public tender offer to the shareholders of GSW Immobilien AG. During the course of the voluntary public tender offer however, it transpired that the implementation of this capital increase from the Authorized Capital 2013 was not needed. Consequently, these utilization resolutions were cancelled.

The Articles of Association thus contain corresponding authorized capital in Section 4a. On the basis of the resolutions passed by the Extraordinary Shareholders Meeting on September 30,

2013, the Company increased its share capital from EUR 168,907,143.00 to EUR 286,216,731.00. In order to ensure that the Company continues to be flexible enough in the future to extensively increase its equity capital, where necessary, the existing Authorized Capital 2013 shall be cancelled, a new authorized capital be created and the Articles of Association be changed accordingly.

Therefore, the Management Board and Supervisory Board propose that the following resolution be passed:

**a) Creation of Authorized Capital 2014 with the possibility of excluding subscription rights**

The Management Board is authorized to increase the Company's share capital, with the consent of the Supervisory Board, by up to EUR 85,000,000.00 once or several times in the period until June 10, 2017 by the issuance of up to 85,000,000 new bearer shares with no-par value against a contribution in cash and/or in kind (Authorized Capital 2014).

Shareholders are to be granted subscription rights in principle. According to Section 186 paragraph 5 German Stock Corporation Act (*AktG*), the shares may also be acquired by one or more credit institutions with the obligation to offer such shares to the shareholders for subscription (so-called "indirect subscription right"). However, the Management Board is authorized, subject to approval by the Supervisory Board, to exclude shareholders' subscription rights for one or more capital increases from authorized capital:

- aa) in order to exclude fractional amounts from subscription rights;
- bb) to the extent required to grant holders of conversion or option rights or creditors of mandatorily convertible bonds, that have been or will be issued by the Company or a directly or indirectly wholly owned subsidiary, a subscription right to new no-par value bearer shares in the Company, to the extent they would be entitled to as shareholders if they were to exercise their option or conversion rights or upon fulfillment of a conversion obligation;
- cc) to issue shares against contributions in cash, provided the issue price of the new shares is not significantly below the stock exchange price of the already listed shares of the same class and features at the time of the final determination of the issue price within the meaning of Section 203 paragraphs 1 and 2, and Section 186 paragraph 3 sentence 4 German Stock Corporation Act (*AktG*) and the pro rata

amount of the share capital attributable to the new shares excluded from subscription rights according to Section 186 paragraph 3 sentence 4 German Stock Corporation Act (*AktG*) does not exceed 10 % of the Company's share capital, neither with respect to the date on which this authorization becomes effective nor the date on which such authorization is exercised. This figure is to include shares that have been or will be issued to service warrant-linked bonds, convertible bonds or convertible or warrant-linked participation rights, insofar as these bonds were issued within the term of this authorization and under exclusion of subscription rights (Section 186 paragraph 3 sentence 4 German Stock Corporation Act (*AktG*) accordingly). Furthermore, this limit of 10 % of the share capital shall also include the Company's treasury shares that are sold within the term of this authorization under exclusion of the shareholders' subscription rights pursuant to Section 71 paragraph 1 number 8 sentence 5 clause 2 in conjunction with Section 186 paragraph 3 sentence 4 German Stock Corporation Act (*AktG*);

- dd) to the extent that this is necessary so that shares can be issued under the share options program described in particular in Agenda Item 16 of the Company's General Shareholders Meeting held on June 11, 2014 to people who are or were employees of the Company and/or its affiliates, whereby the pro rata amount of the share capital of the new shares issued may not exceed 5 % of the share capital, neither with respect to the date on which a resolution is passed on this authorization nor on which this authorization is exercised. This 5 % limit shall also include the Company's treasury shares and shares from the Company's conditional capital that are granted to employees and executive bodies of the Company or its affiliates within the term of this authorization;
- ee) to issue shares against contributions in kind, especially for – but not limited to – the purpose of the direct or indirect acquisition of companies, parts of companies, participations in companies, or other assets (in particular real estate portfolios and shares in real estate companies), or to service convertible bonds, warrant-linked bonds, convertible or warrant-linked participation rights, or a combination of these instruments which are issued against contributions in kind.

The aforementioned authorizations for excluding subscription rights to capital increases against contributions in cash and/or in kind are limited to an amount which may not, in sum, exceed 20 % of the share capital, either with respect to the date on which the authorization becomes effective or the date on which such authorization is exercised. This 20 % limit shall also include treasury shares that are sold within the term of this authorization

under exclusion of shareholders' subscription rights, as well as those shares that are issued to service convertible or warrant-linked bonds (including participation rights) or mandatorily convertible bonds (or a combination of these instruments), provided that the bonds or participation rights were issued during the term of this authorization in accordance with the authorization granted in Agenda Item 9 of the General Shareholders Meeting on June 11, 2014 under the exclusion of shareholders' subscription rights. To the extent that during the term of the authorization to exclude shareholders' subscription rights described in the preceding paragraphs rights are established to subscribe to shares of Deutsche Wohnen AG in exchange for shares of GSW Immobilien AG through the entry into force of the domination agreement between Deutsche Wohnen AG and GSW Immobilien AG concluded on April 30, 2014, the number of these shares of Deutsche Wohnen AG will also be included in the above-mentioned 20 % limit. In addition, the following shares are also to be included in this 20 % limit: the shares from the conditional capital that are issued to service stock option rights, if the stock option rights are granted during the term of this authorization on the basis of the authorization under Agenda Item 16 of the General Shareholders Meeting of the Company on June 11, 2014.

The Management Board is also authorized to define other features of the shares and the terms of share issuance with the consent of the Supervisory Board.

**b) Changes to Section 4a of the Articles of Association**

For the creation of Authorized Capital 2014, Section 4a of the Company's Articles of Association has been revised as follows:

"Section 4a

- (1) The Management Board is authorized to increase the Company's share capital, with the consent of the Supervisory Board, by up to EUR 85,000,000.00 once or several times in the period until June 10, 2017 by the issuance of up to 85,000,000 new non-par value bearer shares against contribution in cash and/or in kind (Authorized Capital 2014).
- (2) Shareholders are to be granted subscription rights in principle. According to Section 186 paragraph 5 German Stock Corporation Act (*AktG*), the shares may also be acquired by one or more credit institutions with the obligation to offer such shares to the shareholders for subscription (so-called "indirect subscription right"). However, the Management Board is authorized, subject to approval by the Supervisory



Board, to exclude shareholders' subscription rights for one or more capital increases from authorized capital:

- (i) in order to exclude fractional amounts from subscription rights;
- (ii) to the extent required to grant holders of conversion or option rights or creditors of mandatorily convertible bonds, that have been or will be issued by the Company or a directly or indirectly wholly owned subsidiary, a subscription right to new no-par value bearer shares in the Company, to the extent they would be entitled to as shareholders if they were to exercise their option or conversion rights or upon fulfillment of a conversion obligation;
- (iii) to issue shares against contributions in cash, provided the issue price of the new shares is not significantly lower than the stock exchange price of the already listed shares of the same class and features at the time the final determination of the issue price within the meaning of Section 203 paragraphs 1 and 2, and Section 186 paragraph 3 sentence 4 German Stock Corporation Act (*AktG*) and the pro rata amount of the share capital attributable to the new shares excluded from subscription rights according to Section 186 paragraph 3 sentence 4 German Stock Corporation Act (*AktG*) does not exceed 10 % of the Company's share capital, neither with respect to the date on which the authorization becomes effective nor the date on which such authorization is exercised. This figure is to include shares that have been or will be issued to service warrant-linked bonds, convertible bonds or convertible or warrant-linked participation rights, insofar as these bonds were issued in accordance were issued within the term of this authorization and under exclusion of subscription rights (Section 186 para. 3 sentence 4 German Stock Corporation Act (*AktG*) accordingly). Furthermore, this limit of 10 % of the share capital shall also include the Company's treasury shares that are sold within the term of this authorized capital under exclusion of the shareholders' subscription rights pursuant to Section 71 paragraph 1 number 8 sentence 5 clause 2 in conjunction with Section 186 paragraph 3 sentence 4 German Stock Corporation Act (*AktG*);
- (iv) to the extent that this is necessary so that shares can be issued in particular under the share options program described in Agenda Item 16 of the Company's General Shareholders Meeting held on June 11, 2014 to people who are or were employees of the Company and/or its affiliates, whereby the pro rata

amount of the share capital of the new shares issued may not exceed 5 % of the share capital, neither with respect to the date on which a resolution is passed on this authorization nor on which this authorization is exercised. This 5 % limit shall also include the Company's treasury shares and shares from the Company's conditional capital that are granted to employees and executive bodies of the Company or its affiliates within the term of this authorization;

- (v) to issue shares against contributions in kind, especially for – but not limited to – the purpose of the direct or indirect acquisition of companies, parts of companies, participations in companies, or other assets (in particular real estate portfolios and shares in real estate companies), or to service convertible bonds, warrant-linked bonds, convertible or warrant-linked participation rights, or a combination of these instruments which are issued against assets in kind.
- (3) The aforementioned authorizations for excluding subscription rights to capital increases against contributions in cash and/or in kind are limited to an amount which may not, in sum, exceed 20 % of the share capital, either with respect to the date on which the authorization becomes effective or the date on which such authorization is exercised. This 20 % limit shall also include treasury shares that are sold within the term of the authorization under the exclusion of shareholders' subscription rights as well as those shares issued to service convertible or warrant-linked bonds (including participation rights) or mandatorily convertible bonds or participation rights (or a combination of these instruments), provided that the bonds or participation rights are issued during the term of this authorization under the authorization granted in Agenda Item 9 of the General Shareholders Meeting on June 11, 2014 under the exclusion of shareholders' subscription rights. To the extent that during the term of the authorization to exclude shareholders' subscription rights described in the preceding paragraphs rights are established to subscribe to shares of Deutsche Wohnen AG in exchange for shares of GSW Immobilien AG through the entry into force of the domination agreement between Deutsche Wohnen AG and GSW Immobilien AG concluded on April 30, 2014, the number of these shares of Deutsche Wohnen AG will also be included in the above-mentioned 20 % limit. In addition, the following shares are also to be included in this 20 % limit: the shares from the conditional capital that are issued to service stock option rights, if the stock option rights are granted during the term of this authorization on the basis of

the authorization under Agenda Item 16 of the General Shareholders Meeting of the Company on June 11, 2014.

- (4) The Management Board is also authorized to define the other features of the shares and the terms of share issuance with the consent of the Supervisory Board.

**c) Cancellation of existing authorized capital**

The current authorization specified in Section 4a of the Articles of Association to increase share capital, which was issued by the General Shareholders Meeting on May 28, 2013 and which is effective until May 27, 2018, will be cancelled upon entry into force of the new Authorized Capital 2014.

**d) Application for entry into the commercial register**

The Management Board is instructed to apply for the cancellation of the authorized capital specified in Section 4a of the Articles of Association, which was set out in c), and for the new Authorized Capital 2014, which was set out in a) and b), to be entered into the commercial register with the proviso that the cancellation is entered first but only if the new Authorized Capital 2014 is entered immediately afterwards.

Subject to the preceding paragraph, the Management Board is authorized to apply for the Authorized Capital 2014 to be entered into the commercial register regardless of any other resolutions passed by the General Shareholders Meeting.

**9. Passing of a resolution concerning the granting of a new authorization to issue convertible and/or warrant-linked bonds and/or convertible or warrant-linked participation rights (or a combination of these instruments) with the option of excluding subscription rights, creation of Conditional Capital 2014/I, partial cancellation of the existing authorization to issue convertible and warrant-linked bonds, partial cancellation of Conditional Capital 2013 (Section 4b of the Articles of Association) and corresponding changes to the Articles of Association**

By resolution of the General Shareholders Meeting on May 28, 2013, the Management Board was authorized, subject to the approval of the Supervisory Board, to issue convertible and/or warrant-linked bonds and/or convertible or warrant-linked participation rights (or a combination of these instruments) (hereinafter: "Bonds 2013") with a total nominal value of up to EUR 850,000,000.00 with or without a limitation on maturities in one or more tranches up to May 27, 2018. Conditional Capital 2013 amounting to EUR 40,189,000.00 was created to service the Bonds 2013 (Section 4b paragraph 1 of the Articles of Association).

In partial exercising of this authorization, the Company issued a convertible bond with a total nominal value of EUR 250,000.000.00 in a private placement under simplified exclusion of subscription rights in November 2013; this bond can be converted into up to 16,075,714 new shares with no-par value, to be created on the basis of the Conditional Capital 2013, each with a notional value of EUR 1.00 of the Company's share capital. As a result, the authorization granted by the General Shareholders Meeting on May 28, 2013 can no longer be used flexibly, as the possibility for a simplified exclusion of subscription rights has mostly been exhausted.

In order for the Company to remain flexible in future to issue (including the issuing under simplified exclusion of subscription rights) convertible and/or warrant-linked bonds and/or convertible or warrant-linked participation rights (or a combination of these instruments) when necessary and to back these with shares to service the resulting option or conversion rights, the 2013 authorization and Conditional Capital 2013 – insofar as they have not been utilized and/or this does not need to be reserved – are to be cancelled and replaced by new conditional capital (Conditional Capital 2014/I).

In view of the fact that the following resolution is to cancel the 2013 authorization insofar as it has not been exercised, and that no further bonds may therefore be issued under the authorization from this point in time, the existing Conditional Capital 2013 must only be reserved up to an amount of EUR 16,075,714.00 for securing the conversion rights of the convertible bond issued in November 2013. An amount of EUR 24,113,286.00 of Conditional Capital 2013 can therefore be cancelled and the Articles of Association can be changed accordingly.

The Management Board and Supervisory Board therefore propose that the following resolution be passed:

- a) **Authorization to issue convertible and/or warrant-linked bonds and/or convertible and/or warrant-linked participation rights (or a combination of these instruments) and to exclude subscription rights**
  - aa) Nominal amount, authorization period, number of shares

The Management Board is authorized, subject to the approval of the Supervisory Board, to issue convertible and/or warrant-linked bonds and/or convertible or warrant-linked participation rights (or a combination of these instruments) in bearer or registered form and in one or more tranches through June 10, 2019 with a nominal amount of up to EUR 950,000,000.00 with or without a limitation on maturities (hereinafter all referred to as "bonds"), and to grant the holders of bonds conversion or option rights for shares of the Company with a notional amount of the share cap-

ital of up to EUR 50,000,000.00 as set out in the terms and conditions of such warrant-linked bonds, convertible bonds and participation rights (hereinafter referred to as "terms and conditions"). The terms and conditions for each bond can also stipulate a conversion obligation at maturity or at other times, including an obligation to exercise the conversion or option right. Bonds can also be issued against payment in kind.

In addition to euros, the bonds can also be issued in the official currency of any OECD country – limited to the corresponding euro equivalent. The bonds can also be issued by dependent Group enterprises or enterprises in which the Company has a majority shareholding; in this case, the Management Board is authorized to guarantee the bonds on behalf of the Company and to grant the holders of such bonds conversion and/or option rights to the Company's shares. When bonds are issued, they may be and normally will be divided into multiple fractional bonds with equal rights.

bb) Granting of subscription rights, exclusion of subscription rights

In principle, shareholders are to be granted subscription rights to acquire the bonds. The bonds may also be acquired by one or more credit institutions subject to the obligation that they offer these bonds indirectly to the shareholders for subscription ("indirect subscription right"), pursuant to Section 186 paragraph 5 German Stock Corporation Act (*AktG*). However, the Management Board is authorized, subject to the approval of the Supervisory Board, to exclude the shareholders' subscription rights to the bonds:

- (1) in order to exclude fractional amounts from subscription rights;
- (2) to the extent required to grant bearers of conversion or option rights or holders of convertible bonds and/or participation rights carrying a conversion or option obligation that have been or will be issued by the Company or a directly or indirectly wholly owned subsidiary a subscription right to the extent they would be entitled to as shareholders if they were to exercise their option or conversion rights or upon fulfillment of a conversion or option obligation;
- (3) insofar as they are issued against cash and the issue price is not significantly below the fractional bond's theoretical value determined according to recognized principles of financial mathematics according to Section 221 paragraph 4 sentence 2 and Section 186 paragraph 3 sentence 4 German Stock Corporation Act (*AktG*). However, this authorization to exclude subscription rights

shall apply only to bonds with rights to shares that do not represent more than 10 % of the share capital, either with respect to the date on which the authorization becomes effective or the date on which such authorization is exercised. This restriction also includes the sale of treasury shares insofar as they are sold within the term of this authorization under exclusion of subscription rights pursuant to Section 71 paragraph 1 number 8 sentence 5 clause 2 in conjunction with Section 186 paragraph 3 sentence 4 German Stock Corporation Act (*AktG*). Furthermore, this restriction also includes shares that are issued from authorized capital within the term of this authorization under exclusion of subscription rights pursuant to Section 203 paragraph 2 sentence 2 in conjunction with Section 186 paragraph 3 sentence 4 German Stock Corporation Act (*AktG*);

- (4) insofar as they are to be issued against payment in kind if the value of the payment in kind is commensurate with the market value of the bonds as determined in the manner described in paragraph (a), bb), (3) above.

The aforementioned authorizations for the exclusion of subscription rights are limited to an amount which may not, in sum, exceed 20 % of the share capital, either with respect to the date on which the authorization becomes effective or the date on which such authorization is exercised. This 20 % limit also includes treasury shares that are sold within the term of the authorization under exclusion of subscription rights and those shares that have been issued during the term of this authorization due to the authorization under Agenda Item 8 of the General Shareholders Meeting held on June 11, 2014 under the exclusion of the shareholders' subscription rights. To the extent that during the term of the authorization to exclude shareholders' subscription rights described in the preceding paragraphs rights are established to subscribe to shares of Deutsche Wohnen AG in exchange for shares of GSW Immobilien AG through the entry into force of the domination agreement between Deutsche Wohnen AG and GSW Immobilien AG concluded on April 30, 2014, the number of these shares of Deutsche Wohnen AG will also be included in the above-mentioned 20 % limit. In addition, the following shares are also to be included in this 20 % limit: the shares from the conditional capital that are issued to service stock option rights, if the stock option rights are granted during the term of this authorization on the basis of the authorization under Agenda Item 16 of the General Shareholders Meeting of the Company on June 11, 2014.

cc) Conversion right, conversion and/or option obligation

In case of convertible bonds, the holders may exchange their bonds for shares in the Company according to the terms and conditions. The proportionate amount of the share capital represented by the shares to be issued as a result of any conversion may not exceed the nominal value of the convertible bond or convertible participation right. The exchange ratio is calculated by dividing the nominal amount of one bond by the conversion price fixed for obtaining one share of the Company. The exchange ratio may also be determined by dividing the issue price of the bond, if it is lower than its nominal value, by the fixed conversion price for obtaining one share of the Company. The exchange ratio may be rounded up or down to an integer; in addition, a cash premium may be provided for. Furthermore, the terms and conditions may provide for fractional amounts to be combined and/or settled in cash. The terms and conditions may also provide for a variable exchange ratio.

In the case of a conversion or option obligation, the terms and conditions of the bonds may entitle the Company to settle in cash, in full or in part, any difference between the nominal amount of the convertible bonds or convertible or warrant-linked participation rights and the result obtained from multiplying the exchange ratio and a stock market price for the shares at the time of the mandatory exchange to be more closely defined in the bond terms and conditions. In these cases, the stock market price can equal at least either the minimum price specified under ee) or the volume-weighted average closing price of the shares of Deutsche Wohnen AG in Xetra trading (or a corresponding successor system) on the ten trading days in Frankfurt am Main before the date of the final maturity or the other set date, even if this average price is lower than the minimum price (80 %) specified above. The proportionate amount of the share capital represented by the no-par value shares of Deutsche Wohnen AG to be issued upon conversion or exercise of an option right must not exceed the nominal value of the convertible bonds. Section 9 paragraph 1 in conjunction with Section 199 paragraph 2 German Stock Corporation Act (*AktG*) must be observed.

dd) Option right

In the case of warrant-linked bonds, one or more warrants shall be attached to each bond, entitling the holder to purchase shares in the Company pursuant to the more detailed provisions of the terms and conditions set out by the Management Board. The proportionate amount of the share capital represented by the shares to be issued per bond may not exceed the nominal value of the warrant-linked bond.

ee) Conversion or option price

The conversion or option price for a share to be determined respectively must either be at least 80 % of the volume-weighted average closing price of Deutsche Wohnen AG shares in Xetra trading (or a comparable successor system) on the ten trading days in Frankfurt am Main prior to the day the final decision is taken by the Management Board on the issuance of bonds or the acceptance or allocation by the Company as part of a placement of bonds, or – if a subscription right is granted – at least 80 % of the volume-weighted average closing price of Deutsche Wohnen AG shares in Xetra trading (or a comparable successor system) during (i) the days on which the subscription rights are traded on the Frankfurt Stock Exchange, excluding the last two days of subscription rights trading on the stock exchange, or (ii) the days from the start of the subscription period through the time when the final subscription price is set. Section 9 paragraph 1 and Section 199 German Stock Corporation Act (*AktG*) remain unaffected.

In the case of bonds with conversion and/or option rights or conversion and/or option obligations, Section 9 paragraph 1 German Stock Corporation Act (*AktG*) notwithstanding, the conversion or option price may also be reduced based on an anti-dilution clause in accordance with the precise terms and conditions if the Company increases the share capital during the conversion or option term, while granting subscription rights to its shareholders, or if the Company issues or guarantees further convertible bonds, warrant-linked bonds or convertible or warrant-linked participation rights or other option rights and the holders of conversion and option rights are not granted subscription rights to the extent that would be due to them after exercising their conversion or option rights or after fulfillment of the mandatory conversion or option obligation. The reduction in the option and/or conversion price may also be fulfilled through a cash payment when exercising the option and/or conversion right or fulfilling a mandatory conversion or option obligation. The terms and conditions may also provide for a value-preserving adjustment of the conversion or option price with regard to other measures that may lead to a dilution in the value of the conversion and/or option rights (e.g. payment of a dividend). In any case, the proportionate amount of the share capital represented by the shares to be issued per bond may not exceed the nominal value of the bond.

ff) Further structuring possibilities

The terms and conditions may determine that treasury shares, shares from the Company's authorized capital or other means of compensation may be granted if



conversion or option rights are exercised. Furthermore, it may be stipulated that if conversion or option rights are exercised, instead of granting holders of conversion or option rights shares in the Company, the Company may pay the equivalent value in cash or grant stock exchange listed shares in another company.

Conversely, the terms and conditions may also give the Company the right to grant the bond holders at the maturity date shares in the Company or stock exchange listed shares in another company completely or partially in place of the payment of the cash amount due.

The terms and conditions of the bonds may also provide for the number of shares to be acquired upon exercising of the conversion and/or option rights or upon fulfillment of the mandatory conversion or option obligation, or a conversion right in this regard, to be variable, and/or for the conversion and/or option price to be subject to change depending on the change in the share price or as a result of anti-dilution clauses during the term and within a range to be determined by the Management Board.

gg) Authorization to determine further terms and conditions of the bonds

The Management Board is authorized to determine further details relating to the issue and features of the bonds, particularly with respect to the interest rate, issue price, term and denomination, conversion or option price, and the conversion or option period, or to determine these in agreement with the corporate bodies of the Group companies issuing the bonds.

**b) Conditional Capital 2014/I**

The share capital is conditionally increased by up to EUR 50,000,000.00 by the issue of up to 50,000,000 new bearer shares with no-par value and the right to participate in profit (Conditional Capital 2014/I). The conditional capital increase serves to grant shares to the holders of bonds to be issued in accordance with the aforementioned authorization.

The new shares are issued at the conversion or option price to be fixed in accordance with the aforementioned authorization. The conditional capital increase is only to be implemented insofar as conversion and/or option rights from issued bonds are exercised and/or holders of bonds with a conversion and/or option obligation meet their obligation to exercise the conversion and/or option rights, or insofar as Deutsche Wohnen AG grants shares in Deutsche Wohnen AG instead of paying the cash sum due, and insofar as the conver-

sion or option rights or conversion or option obligations are not serviced by treasury shares, shares issued out of authorized capital or other means of compensation.

The new shares participate in profit from the start of the financial year in which they are created due to conversion or option rights being exercised or conversion or option obligations being met, and for all subsequent financial years; alternatively, insofar as legally permissible, the Management Board, subject to the approval of the Supervisory Board, can determine that the new shares participate in profit from the start of the financial year for which at the time when the conversion or option rights are exercised or the conversion or option obligations are met the General Shareholders Meeting has not passed any resolution on the appropriation of the net profit available for distribution.

The Management Board is authorized to determine further details of the implementation of the conditional capital increase.

**c) Cancellation of the non-exercised authorization of May 28, 2013 and corresponding cancellation of Conditional Capital 2013**

The authorization of the Management Board to issue warrant-linked and/or convertible bonds, participation rights or participating bonds or a combination of these instruments of May 28, 2013 is cancelled with registration of the suggested changes to the Articles of Association under Agenda Item 9.b) insofar as it has not been exercised through the issue of convertible bonds on November 22, 2013. The resolution of the General Shareholders Meeting of May 28, 2013 on the creation of the Conditional Capital 2013 of EUR 40,189,000.00 pursuant to Section 4b of the Articles of Association is cancelled with registration of the changes to the Articles of Association suggested under Agenda Item 9.b) to such extent that the Conditional Capital 2013 only remains in a partial amount of EUR 16,075,714.00.

**d) Amendment to the Articles of Association**

Section 4b of the Articles of Association (Conditional Capital 2013) is revised as follows:

"Section 4b

- (1) The share capital is conditionally increased by up to EUR 16,075,714.00, divided in up to 16,075,714 bearer shares with no-par value (Conditional Capital 2013). The conditional capital increase is only carried out insofar as the holders of the convertible bonds issued by the Company in November 2013 against contributions in cash exercise their conversion right in accordance with the bond terms and con-

ditions, or the Company exercises its option in accordance with the bond terms and conditions to repay every bond on the relevant maturity date in full or in part in shares, and insofar as other forms of servicing are not used. In the event of conversion, the issue of the new shares takes place at the applicable conversion price in accordance with the bond terms and conditions. The new shares participate in profit from the start of the financial year in which they are created. The Management Board is authorized to set the further details of the implementation of the conditional capital increase.

- (2) The share capital is conditionally increased by up to EUR 50,000,000.00 by the issue of up to 50,000,000 new bearer shares with no-par value and the right to participate in profit (Conditional Capital 2014/I). The conditional capital increase is only carried out insofar as the bearers and/or holders of conversion or option rights and/or those obliged to exercise conversion or option rights from convertible and/or warrant-linked bonds and/or convertible and/or warrant-linked participation rights (or a combination of these instruments), which are issued against contributions in cash as well as issued and/or guaranteed through June 10, 2019 by Deutsche Wohnen AG or dependent companies or companies in which the Company has a majority shareholding under the authorization resolution passed by the General Shareholders Meeting held on June 11, 2014, exercise their conversion and/or option rights or meet their conversion and/or option obligations, or insofar as Deutsche Wohnen AG elects to grant shares in Deutsche Wohnen AG, in full or in part, instead of paying the cash sum due, to the extent that a cash settlement is not granted and treasury shares, shares from authorized capital or stock exchange listed shares in another company or other means of compensation are not used for servicing.

The new shares participate in profit from the start of the financial year in which they are created; alternatively, with respect to bonds that are issued and/or guaranteed through June 10, 2019 under the authorization resolution passed by the General Shareholders Meeting held on June 11, 2014, the Management Board can stipulate, subject to the approval of the Supervisory Board and insofar as legally permissible, that the new shares participate in profit from the start of the financial year for which at the time when the conversion or option rights are exercised or the conversion or option obligations are met or of an election by Deutsche Wohnen AG the General Shareholders Meeting has not passed any resolution on the appropriation of the net profit available for distribution. The

Management Board is authorized to determine further details of the implementation of the conditional capital increase."

**e) Authorization of the Supervisory Board to make changes to the Articles of Association that only affect the wording**

The Supervisory Board is authorized to adjust the wording of Section 4 paragraph 1, Section 4b paragraph 1 and Section 4b paragraph 2 of the Articles of Association to the relevant issue of shares (which were serviced to fulfil conversion or warrant rights or obligations) and to make all other associated adjustments to the Articles of Association that only affect the wording. The same applies (i) in the event of non-use of the Conditional Capital 2013 after expiry of the periods for exercising the conversion right or the Company's share repayment option for convertible bonds issued in November 2013, (ii) in the event of non-use of the authorization to issue bonds under the resolution passed by the General Shareholders Meeting held on June 11, 2014 after expiry of the authorization period, and (iii) in the event of non-use of the Conditional Capital 2014/I after expiry of the periods for exercising conversion or option rights, for meeting conversion and/or option obligations, or for exercising a stock repayment option (*Aktienrückzahlungsoption*) of the Company.

**f) Commercial register entry, authorization to adjust Articles of Association**

The Management Board is instructed to apply for the partial cancellation of the Conditional Capital 2013 specified in Section 4b of the Articles of Association, which was set out in c), and for the new Conditional Capital 2014/I, which was set out in b), to be entered in the commercial register with the proviso that the partial cancellation is entered first, but only if the new Conditional Capital 2014/I is entered immediately afterwards.

Subject to the preceding paragraph, the Management Board is authorized to apply for the Conditional Capital 2014/I to be entered in the commercial register regardless of any other resolutions passed by the General Shareholders Meeting.

**10. Passing of a resolution concerning the approval to enter into a domination agreement between Deutsche Wohnen AG and GSW Immobilien AG; passing a resolution concerning the creation of Conditional Capital 2014/II and the insertion of a new Section 4c in the Articles of Association**

On April 30, 2014 Deutsche Wohnen AG, as the controlling company, entered into a Domination Agreement with GSW Immobilien AG, the controlled company. The Domination Agreement only takes effect when approved by the shareholders meetings of both Parties to the Agreement.

The text of the Domination Agreement is as follows:

**“Domination Agreement**

Between

**Deutsche Wohnen AG**, Frankfurt am Main, registered with the commercial register of the local court of Frankfurt am Main under docket number HRB 42388

– **“Deutsche Wohnen”** in the following –

and

**GSW Immobilien AG**, Berlin, registered with the commercial register of the local court of Charlottenburg under docket number HRB 125788

– **“GSW”** in the following –

**§ 1**

**Management Control and Instruction**

- (1) GSW assigns the management control (*Leitung*) of its company to Deutsche Wohnen. Deutsche Wohnen is accordingly entitled to issue instructions (*Weisungen*) which are binding on the Management Board of GSW, both generally and with regard to individual cases. Deutsche Wohnen will exercise its right to issue instructions through its Management Board or (as far as legally permissible) through persons given explicit power of attorney by the Management Board, specifying the extent and duration of this authority.
- (2) No instruction may be given to maintain, amend or terminate the present agreement. Instructions must be in writing (Section 126b German Civil Code (*BGB*)). In urgent cases instructions may also be given orally, but must be confirmed by Deutsche Wohnen in writing (Section 126b German Civil Code (*BGB*)) without delay.
- (3) The Management Board of GSW is required to comply with the instructions of Deutsche Wohnen.

## **§ 2**

### **Right to Information**

Deutsche Wohnen is entitled to inspect the books and records of GSW at any time. The Management Board of GSW is required to supply Deutsche Wohnen at any time with all requested information on all matters relating to GSW. Notwithstanding the rights agreed above, GSW is required to keep Deutsche Wohnen continuously informed of the business development, and specifically of material transactions.

## **§ 3**

### **Assumption of Losses**

- (1) An assumption of any losses (*Verlustübernahme*) by Deutsche Wohnen is agreed pursuant to the provisions of Section 302 German Stock Corporation Act (*AktG*), as amended from time to time.
- (2) The obligation to assume losses applies for the first time to the entire financial year in which this agreement becomes effective pursuant to Section 6(2).
- (3) In event that this agreement is ended during a financial year, and specifically in the event of termination for good cause (*wichtiger Grund*), Deutsche Wohnen is required to assume a prorated loss by GSW as shown in the balance sheet to be drawn up for the date of termination.

**§ 4**  
**Compensation**

- (1) Deutsche Wohnen guarantees the minority shareholders of GSW for the duration of this agreement a fixed annual payment in the form of a Guaranteed Dividend ("**Guaranteed Dividend**"), payable for the first time for the financial year in which the agreement becomes effective pursuant to Section 6(2). If this agreement ends during a financial year of GSW or GSW declares a short financial year during the period in which the obligation to assume losses pursuant to Section 3(1) of this agreement is effective, the Guaranteed Dividend is reduced *pro rata temporis*. To the extent the dividend paid by GSW for a financial year (including any part payments) for each no-par share of GSW is less than the Guaranteed Dividend, Deutsche Wohnen will pay each minority shareholder of GSW the difference for each no-par share. The due date for any payment of the difference is based on the statutory provisions.
- (2) The Guaranteed Dividend for each GSW financial year and each bearer GSW share representing a notional value of EUR 1.00 of the share capital shall be a gross sum of EUR 1.66 ("**Gross Compensation Amount**") less any corporate income tax and solidarity surcharge at the prevailing rate for the relevant financial year ("**Net Compensation Amount**"). In the circumstances at the time of signature of this agreement, the Gross Compensation Amount is subject to 15 % corporate income tax plus 5.5 % solidarity surcharge, or EUR 0.26 for each no-par share of GSW. This results under the circumstances at the time of signature of this agreement in a Guaranteed Dividend of EUR 1.40 for each no-par share of GSW for an entire financial year of GSW. For the sake of clarity it is agreed that any withholding tax (such as capital gains tax) shall be withheld from the Net Compensation Amount to the extent required by statute.
- (3) In the event of capital measures by Deutsche Wohnen or GSW, the Guaranteed Dividend will be adjusted, if required by statute.
- (4) If proceedings are initiated pursuant to Section 1 number 1 German Act on Appraisal Proceedings (*SpruchG*) and the court legally binding adjudicates a higher Guaranteed Dividend than agreed in this agreement, the minority shareholders are entitled, even if they have already received compensation in the interim pursuant to Section 5, to demand a corresponding payment in addition to the payments already received by them on the basis of the Guaranteed Dividend. Similarly, all other minority shareholders will be treated in the same way if Deutsche Wohnen commits to a higher Guaranteed Dividend for a GSW shareholder in a settlement to avoid or end proceedings pursuant to Section 1 number 1 German Act on Appraisal Proceedings (*SpruchG*).

**§ 5**  
**Settlement**

- (1) Deutsche Wohnen undertakes on request by a minority shareholder of GSW to acquire the shareholder's shares in exchange for bearer shares in Deutsche Wohnen representing a notional value of EUR 1.00 each in the share capital in the ratio of 7 shares of Deutsche Wohnen for 3 shares of GSW ("**Exchange Ratio**"). The exchange does not include dividend coupons and renewal talons not yet called. In the event that shareholders of GSW exchange their GSW shares for shares of Deutsche Wohnen before receiving a dividend and/or payment under the Guaranteed Dividend for the financial year 2014 or subsequent financial years they shall as far as practically and legally possible be granted shares in Deutsche Wohnen that participate in profit from the start of the last financial year that ended before they were created. In the event that shareholders of GSW exchange their GSW shares for shares of Deutsche Wohnen after receiving a dividend and/or payment under the Guaranteed Dividend for the financial year 2014 or subsequent financial years or where it is not practically or legally possible to grant shares with that participation in profit as described in the previous sentence they shall be granted Deutsche Wohnen shares that participate in profit from the start of the financial year in which they are created.
- (2) Compensation for fractional rights to shares of Deutsche Wohnen ("**Fractional Share Rights**") is in cash. For the purposes of compensation in cash, the Fractional Share Rights due to individual shareholders are pooled into full shares for all shares issued at a given date, and the resulting shares of Deutsche Wohnen are sold on the stock exchange by the settlement agent; the holders of fractional share rights receive a compensation in cash in the amount of the share in the proceeds corresponding to their Fractional Share Rights. To the extent Fractional Share Rights are left over after pooling, a cash compensation will be made equaling the prorated closing price of Deutsche Wohnen AG stock in Xetra trading (or a corresponding successor system) in Frankfurt am Main on the day before such cash is credited by the settlement agent.
- (3) The obligation of Deutsche Wohnen to acquire the shares is for a limited period of time. The time limitation period ends two months after the date on which the entry of the existence of this agreement in the commercial register of the seat of GSW is deemed to have been made known in accordance with Section 10 German Commercial Code (*HGB*). This time limitation period is deemed to have been observed if written declaration of acceptance is received on time by Deutsche Wohnen. This does



not prejudice the minority shareholders' rights under Section 305 paragraph 4 sentence 3 German Stock Corporation Act (*AktG*).

- (4) In the event of capital measures by Deutsche Wohnen or GSW before expiration of the time limitation period specified in Section 5(3), the Exchange Ratio will be adjusted if required by statute.
- (5) If proceedings are initiated pursuant to German Act on Appraisal Proceedings (*SpruchG*) and the court adjudicates a higher settlement, shareholders who have already received settlement can also require a corresponding supplement to the settlement already received. Similarly, all other minority shareholders of GSW will be treated in the same way by adjusting the Exchange Ratio or an additional cash payment if Deutsche Wohnen commits to a higher settlement for a shareholder of GSW in a settlement to avoid or end proceedings pursuant to Section 1 number 1 German Act on Appraisal Proceedings (*SpruchG*).
- (6) The transfer of shares of GSW in exchange for the shares of Deutsche Wohnen to be granted is without charge to minority shareholders of GSW, provided that they have a domestic securities deposit account.

## **§ 6**

### **Effectiveness**

- (1) This agreement requires approval by the general meetings of GSW and Deutsche Wohnen.
- (2) The agreement becomes effective on entry in the commercial register of the seat of GSW and (with the exception of the management and instruction right pursuant to Section 1) applies retroactively from the start of the financial year of GSW in which it becomes effective through entry in the commercial register of the seat of GSW.

## **§ 7**

### **Term of Agreement, Termination**

- (1) This agreement is entered into for an indefinite period of time. This agreement can be ordinarily terminated with notice of three months to the end of a financial year of GSW. Any notice of termination must be in writing.
- (2) This does not affect the right of termination for good cause (*wichtiger Grund*) without notice. Good cause is in particular

- a) any event as a result of which Deutsche Wohnen no longer directly holds the majority of the voting rights arising from the shares of GSW or it has undertaken in an agreement to transfer shares of GSW to a third party with the result that upon the planned execution of the agreement or the conditional execution of the agreement contingent upon the discharge of external conditions it no longer directly holds the majority of the voting rights arising from the shares of GSW;
  - b) conclusion of a combined domination and profit and loss transfer agreement or isolated profit and loss transfer agreement between the parties or between GSW and a controlled company of Deutsche Wohnen (excluding GSW and companies affiliated with GSW);
  - c) any changes in tax legislation or case law affecting the existence or absence of a fiscal union between the two parties to this agreement; or
  - d) the transformation of GSW or Deutsche Wohnen, particularly as a result of a carve-out, merger or change of the legal form.
- (3) In the event of termination for good cause (*wichtiger Grund*) without notice, this Agreement lapses at the end of the date stated in the notice of termination provided that this is no earlier than the day on which notice of termination is served.
- (4) If the agreement ends, Deutsche Wohnen must furnish security to creditors of GSW pursuant to Section 303 German Stock Corporation Act (*AktG*).

## **§ 8**

### **Final provisions**

- (1) Amendments and supplements to this Agreement must be in writing to be effective. This specifically also applies to this clause requiring written form. The provisions of Section 295 German Stock Corporation Act (*AktG*) apply.
- (2) If a provision of this agreement is or becomes invalid or infeasible or if there is a gap in the agreement, this does not affect the validity of the other provisions of the agreement. The parties shall agree an appropriate provision in place of the invalid or infeasible provision which comes as close as legally possible to what the parties intended or would have intended for the purpose of the agreement. The parties declare explicitly that the present agreement is not intended to form a legal unity (Section

139 German Civil Code (*BGB*)) with agreements concluded between the parties in the past or which may be concluded between the parties in the future.

- (3) Berlin is the place of performance for reciprocal obligations and sole venue.”

The Management Board and Supervisory Board propose that the following resolutions be passed:

**a) Approval of Domination Agreement**

Approval is given to the Domination Agreement between Deutsche Wohnen AG and GSW Immobilien AG dated April 30, 2014.

**b) Conditional Capital 2014/II**

The share capital of the Company is conditionally increased by up to EUR 15,000,000.00 by issuing up to 15,000,000 new bearer shares with no-par value (Conditional Capital 2014/II). The conditional capital increase is for the purpose of granting compensation in shares of the Company to minority shareholders of GSW Immobilien AG in accordance with the provisions of the Domination Agreement in the exchange ratio set in Section 5 paragraph 1 of the Domination Agreement or adjusted in accordance with Section 5 paragraph 4 of the Domination Agreement. To the extent necessary under Section 5 paragraph 2 of the Domination Agreement, the Company will compensate for fractional share rights in cash.

In the event that minority shareholders of GSW Immobilien AG exchange their GSW shares for shares of the Company before receiving a dividend and/or consideration based on the guaranteed dividend on their GSW shares for the financial year 2014 or subsequent financial years they shall – as far as practically and legally possible – be granted shares in the Company that participate in profit from the start of the last financial year that ended before they were created. In the event that minority shareholders of GSW Immobilien AG exchange their GSW shares for shares in the Company after receiving a dividend and/or consideration based on the guaranteed dividend on their GSW shares for the financial year 2014 or subsequent financial years or to the extent it is not practically or legally possible to grant shares featuring a right to participate in profit as described in the previous sentence they shall be granted shares in the Company that participate in profit from the start of the financial year in which they are created.

New shares shall be issued against the transfer of shares in GSW Immobilien AG by its minority shareholders. The conditional capital increase shall only be executed to the ex-

tent that minority shareholders of GSW Immobilien AG make use of their right to compensation.

The Management Board is authorized to set the further details of the capital increase and its implementation, subject to the approval of the Supervisory Board.

**c) Amendment to the Articles of Association**

A new Section 4c will be inserted in the Company's Articles of Association for the Conditional Capital 2014/II:

"Section 4c

- (1) The share capital of the Company is conditionally increased by up to EUR 15,000,000.00 by issuing up to 15,000,000 new bearer shares with no-par value (Conditional Capital 2014/II).
- (2) The conditional capital increase is for the purpose of granting compensation in shares of the Company to the outside shareholders of GSW Immobilien AG in accordance with the provisions of the Domination Agreement between the Company and GSW Immobilien AG of April 30, 2014 (the "Domination Agreement") in the exchange ratio set in Section 5 paragraph 1 of the Domination Agreement or adjusted in accordance with Section 5 paragraph 4 or Section 5 paragraph 5 of the Domination Agreement. To the extent necessary under Section 5 paragraph 2 of the Domination Agreement, the Company will compensate for fractional share rights in cash.
- (3) In the event that minority shareholders of GSW Immobilien AG exchange their GSW shares for shares of the Company before receiving a dividend and/or consideration based on the guaranteed dividend on their GSW shares for the financial year 2014 or subsequent financial years they shall – as far as practically and legally possible – be granted shares in the Company that participate in profit from the start of the last financial year that ended before they were created. In the event that minority shareholders of GSW Immobilien AG exchange their GSW shares for shares in the Company after receiving a dividend and/or consideration based on the guaranteed dividend on their GSW shares for the financial year 2014 or subsequent financial years or to the extent it is not practically or legally possible to grant shares featuring a right to participate in profit as described in the previous sentence they

shall be granted shares in the Company that participate in profit from the start of the financial year in which they are created.

- (4) New shares will be issued against the transfer of shares in GSW Immobilien AG by its minority shareholders. The conditional capital increase shall only be executed to the extent that outside shareholders of GSW Immobilien AG make use of their right to compensation. The Management Board is authorized to set the further details of the capital increase and its implementation, subject to the approval of the Supervisory Board."

Once the General Shareholders Meeting has been convened the following documents together with this invitation will be available on the Company's website at <http://www.deutsche-wohnen.com> (under "Investor Relations" > "Annual General Meetings" > "Ordinary Annual General Meeting 11 June 2014"). They are also available for viewing by shareholders at the offices of Deutsche Wohnen AG in Frankfurt am Main (Pfaffenwiese 300, 65929 Frankfurt am Main) and in Berlin (Mecklenburgische Strasse 57, 14197 Berlin):

- the domination agreement between Deutsche Wohnen AG and GSW Immobilien AG dated April 30, 2014,
- the annual financial statements and consolidated financial statements of Deutsche Wohnen AG for the financial years 2011, 2012 and 2013 as well as the management reports of Deutsche Wohnen AG and the Group management reports for the financial years 2011, 2012 and 2013,
- the annual financial statements and consolidated financial statements of GSW Immobilien AG for the financial years 2011, 2012 and 2013 as well as the management reports of GSW Immobilien AG and the Group management reports for the financial years 2011, 2012 and 2013,
- the joint report under Section 293a German Stock Corporation Act (*AktG*) issued by the management board of Deutsche Wohnen AG and the management board of GSW Immobilien AG (along with the expert opinion of Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft to determine the enterprise value of Deutsche Wohnen AG, Frankfurt am Main, and of GSW Immobilien AG, Berlin, as of June 18, 2014 attached in the Appendix), and
- the report prepared by the court appointed auditor Mazars GmbH Wirtschaftsprüfungsgesellschaft under Section 293e German Stock Corporation Act

(AktG) on the review of the domination agreement between Deutsche Wohnen AG and GSW Immobilien AG.

**11. Approval to enter into a profit and loss transfer agreement between Deutsche Wohnen AG and Deutsche Wohnen Management GmbH**

Deutsche Wohnen AG and Deutsche Wohnen Management GmbH intend to enter into a profit and loss transfer agreement in May 2014.

The Management Board and Supervisory Board propose that approval be given to enter into the profit and loss transfer agreement.

The agreement will have the following content:

**"Profit and loss transfer agreement**

between

**Deutsche Wohnen AG,**

Pfaffenwiese 300, 65929 Frankfurt am Main,

a stock corporation (*Aktiengesellschaft*) entered in the commercial register of the Frankfurt district court under HRB 42388 B

– hereinafter referred to as the "**Controlling Company**" –

and

**Deutsche Wohnen Management GmbH,**

Mecklenburgische Strasse 57, 14197 Berlin,

a limited liability company (*Gesellschaft mit beschränkter Haftung*) entered in the commercial register of the Charlottenburg district court under HRB 114206 B

– hereinafter referred to as the "**Controlled Company**", together with the Controlling Company as the "**Parties to the Agreement**" and each individually as a "**Party to the Agreement**" –

## **Introduction**

The Controlling Company is the sole shareholder of the Controlled Company, which intends to transfer its profits to the Controlling Company as from January 1, 2014. Management of business and representation of the Controlled Company shall continue to be the responsibility of the managing directors of the Controlled Company. Therefore, the Parties to the Agreement hereby enter into a profit and loss transfer agreement and agree as follows:

### **Section 1**

#### **Transfer of profit**

(1) The Controlled Company undertakes to transfer its entire profit to the Controlling Company. The provisions of Section 301 German Stock Corporation Act (*AktG*) as in effect at any given time apply accordingly and the maximum amount specified therein, subject to the creation or release of reserves in accordance with (2) below, shall be transferred.

(2) Subject to the consent of the Controlling Company, the Controlled Company may allocate amounts from the profit for the year to retained earnings in accordance with Section 272 paragraph 3 German Commercial Code (*HGB*) only to the extent permitted under commercial law and justified on a reasonable businessman's judgment. Any other retained earnings set aside during the term of this Agreement under Section 272 paragraph 3 German Commercial Code (*HGB*) must be released at the request of the Controlling Company.

(3) Any other retained earnings under (2) above set aside before this Agreement comes into effect shall not be transferred upon release.

(4) Amounts released from capital reserves shall not be transferred.

### **Section 2**

#### **Assumption of loss**

The provisions of Section 302 German Stock Corporation Act (*AktG*) as in effect at any given time shall apply.

### **Section 3**

#### **Term of Agreement, Termination**

- (1) This Agreement is entered into subject to the approval of the General Shareholders Meeting of the Controlling Company and the Shareholder Meeting of the Controlled Company. The Controlled Company's resolution of approval must be certified by a notary.
- (2) The Agreement shall come into effect upon entry in the commercial register at the registered office of the Controlled Company but no earlier than for the financial year starting January 1, 2014. The obligations to transfer profits and assume losses shall apply for the first time to the entire profit or loss for the financial year in which the Agreement comes into effect by being entered in the commercial register.
- (3) The Agreement may be terminated by giving six months' notice prior to the end of a financial year, but no earlier than the end of the Controlled Company's financial year ending at least five full years after the start of the financial year in which the Agreement comes into effect. If notice of termination is not given the Agreement shall roll over one financial year at a time, remaining subject to the same notice period.
- (4) This shall be without prejudice to the right to terminate early for good cause. In particular, the Controlling Company shall be entitled to terminate for cause if it ceases to hold the majority of the Controlled Company's voting rights or if one of the events occurs which is covered by directive R 60 paragraph 6 sentence 2 of the German Corporation Tax Directives 2004 (KStR 2004) or any other administrative directive substituting it.
- (5) Termination must be made in writing.

### **Section 4**

#### **Final provisions**

- (1) Any amendments and additions to this Agreement, including to this provision, must be made in writing.
- (2) In the event that one of the provisions of this Agreement should prove or become invalid or unenforceable in whole or in part, this shall be without prejudice to the validity, enforceability and execution of the remaining provisions hereof. The Parties to the Agreement shall replace any provision that is invalid or unenforceable with one that is valid and enforceable and corresponds as far as possible to the business objectives of the provision that was invalid or unenforceable. The same shall apply in the event of any omissions herein.



- (3) The place of performance for both Parties shall be Berlin."

The Management Board of Deutsche Wohnen AG and the managing directors of Deutsche Wohnen Management GmbH have issued a joint report under Section 293a German Stock Corporation Act (*AktG*) giving the reasons for entering into the Agreement and explaining it in detail from both a legal and a business perspective. The Agreement did not have to be audited, in accordance with Section 293b paragraph 1 German Stock Corporation Act (*AktG*).

Once the General Shareholders Meeting has been convened the following documents together with this invitation will be available on the Company's website at <http://www.deutsche-wohnen.com> (under "Investor Relations" > "Annual General Meetings" > "Ordinary Annual General Meeting 11 June 2014"). They are also available for viewing by shareholders at the offices of Deutsche Wohnen AG in Frankfurt am Main (Pfaffenwiese 300, 65929 Frankfurt am Main) and in Berlin (Mecklenburgische Strasse 57, 14197 Berlin):

- the draft profit and loss transfer agreement between Deutsche Wohnen AG and Deutsche Wohnen Management GmbH dated April 20, 2014,
- the annual financial statements and consolidated financial statements of Deutsche Wohnen AG for the financial years 2011, 2012 and 2013 as well as the management reports of Deutsche Wohnen AG and the Group management reports for the financial years 2011, 2012 and 2013,
- the annual financial statements of Deutsche Wohnen Management GmbH for the financial years 2011, 2012 and 2013, and
- the joint report under Section 293a German Stock Corporation Act (*AktG*) issued by the Management Board of Deutsche Wohnen AG and the managing directors of Deutsche Wohnen Management GmbH.

These documents will also be available during the General Shareholders Meeting on Wednesday, June 11, 2014. In addition, shareholders can request that the documents be sent one time promptly by post free of charge.

**12. Approval to enter into a profit and loss transfer agreement between Deutsche Wohnen AG and Deutsche Wohnen Immobilien Management GmbH**

Deutsche Wohnen AG and Deutsche Wohnen Immobilien Management GmbH intend to enter into a profit and loss transfer agreement in May 2014.

The Management Board and Supervisory Board propose that approval be given to enter into the profit and loss transfer agreement.

The agreement will have the following content:

**"Profit and loss transfer agreement**

between

**Deutsche Wohnen AG,**

Pfaffenwiese 300, 65929 Frankfurt am Main,

a stock corporation (*Aktiengesellschaft*) entered in the commercial register of the Frankfurt district court under HRB 42388 B

– hereinafter referred to as the "**Controlling Company**" –

and

**Deutsche Wohnen Immobilien Management GmbH,**

Mecklenburgische Strasse 57, 14197 Berlin,

a limited liability company (*Gesellschaft mit beschränkter Haftung*) entered in the commercial register of the Charlottenburg district court under HRB 144137 B

– hereinafter referred to as the "**Controlled Company**", together with the Controlling Company as the "**Parties to the Agreement**" and each individually as a "**Party to the Agreement**" –

**Introduction**

The Controlling Company is the sole shareholder of the Controlled Company, which intends to transfer its profits to the Controlling Company as from January 1, 2014. Management of business and representation of the Controlled Company shall continue to be the responsibility of the managing directors of the Controlled Company. Therefore, the Parties to the Agreement hereby enter into a profit and loss transfer agreement and agree as follows:

**Section 1**  
**Transfer of profit**

(1) The Controlled Company undertakes to transfer its entire profit to the Controlling Company. The provisions of Section 301 German Stock Corporation Act (*AktG*) as in effect at any given time apply accordingly and the maximum amount specified therein, subject to the creation or release of reserves in accordance with (2) below, shall be transferred.

(2) Subject to the consent of the Controlling Company, the Controlled Company may allocate amounts from the profit for the year to retained earnings in accordance with Section 272 paragraph 3 German Commercial Code (*HGB*) only to the extent permitted under commercial law and justified on a reasonable businessman's judgment. Any other retained earnings set aside during the term of this Agreement under Section 272 paragraph 3 German Commercial Code (*HGB*) must be released at the request of the Controlling Company.

(3) Any other retained earnings under (2) above set aside before this Agreement comes into effect shall not be transferred upon release.

(4) Amounts released from capital reserves shall not be transferred.

**Section 2**  
**Assumption of loss**

The provisions of Section 302 German Stock Corporation Act (*AktG*) as in effect at any given time shall apply.

**Section 3**  
**Term of Agreement, Termination**

(1) This Agreement is entered into subject to the approval of the General Shareholders Meeting of the Controlling Company and the Shareholder Meeting of the Controlled Company. The Controlled Company's resolution of approval must be certified by a notary.

(2) The Agreement shall come into effect upon entry in the commercial register at the registered office of the Controlled Company but no earlier than for the financial year starting January 1, 2014. The obligations to transfer profits and assume losses shall apply for the first time to the entire profit or loss for the financial year in which the Agreement comes into effect by being entered in the commercial register.

(3) The Agreement may be terminated by giving six months' notice prior to the end of a financial year, but no earlier than the end of the Controlled Company's financial year ending at least five full years after the start of the financial year in which the Agreement comes into effect. If notice of termination is not given the Agreement shall roll over one financial year at a time, remaining subject to the same notice period.

(4) This shall be without prejudice to the right to terminate early for good cause. In particular, the Controlling Company shall be entitled to terminate for cause if it ceases to hold the majority of the Controlled Company's voting rights or if one of the events occurs which is covered by directive R 60 paragraph 6 sentence 2 of the German Corporation Tax Directives 2004 (KStR 2004) or any other administrative directive substituting it.

(5) Termination must be made in writing.

#### **Section 4**

##### **Final provisions**

(1) Any amendments and additions to this Agreement, including to this provision, must be made in writing.

(2) In the event that one of the provisions of this Agreement should prove or become invalid or unenforceable in whole or in part, this shall be without prejudice to the validity, enforceability and execution of the remaining provisions hereof. The Parties to the Agreement shall replace any provision that is invalid or unenforceable with one that is valid and enforceable and corresponds as far as possible to the business objectives of the provision that was invalid or unenforceable. The same shall apply in the event of any omissions herein.

(3) The place of performance for both Parties shall be Berlin."

The Management Board of Deutsche Wohnen AG and the managing directors of Deutsche Wohnen Immobilien Management GmbH have issued a joint report under Section 293a German Stock Corporation Act (*AktG*) giving the reasons for entering into the Agreement and explain-

ing it in detail from both a legal and a business perspective. The Agreement did not have to be audited, in accordance with Section 293b paragraph 1 German Stock Corporation Act (*AktG*).

Once the General Shareholders Meeting has been convened the following documents together with this invitation will be available on the Company's website at <http://www.deutsche-wohnen.com> (under "Investor Relations" > "Annual General Meetings" > "Ordinary Annual General Meeting 11 June 2014"). They are also available for viewing by shareholders at the offices of Deutsche Wohnen AG in Frankfurt am Main (Pfaffenwiese 300, 65929 Frankfurt am Main) and in Berlin (Mecklenburgische Strasse 57, 14197 Berlin):

- the draft profit and loss transfer agreement between Deutsche Wohnen AG and Deutsche Wohnen Immobilien Management GmbH dated April 20, 2014,
- the annual financial statements and consolidated financial statements of Deutsche Wohnen AG for the financial years 2011, 2012 and 2013 as well as the management reports of Deutsche Wohnen AG and the Group management reports for the financial years 2011, 2012 and 2013,
- the annual financial statements Deutsche Wohnen Immobilien Management GmbH for the financial years 2011, 2012 and 2013, and
- the joint report under Section 293a German Stock Corporation Act (*AktG*) issued by the Management Board of Deutsche Wohnen AG and the managing directors of Deutsche Wohnen Immobilien Management GmbH.

These documents will also be available during the General Shareholders Meeting on Wednesday, June 11, 2014. In addition, shareholders can request that the documents be sent one time promptly by post free of charge.

### **13. Approval to enter into a profit and loss transfer agreement between Deutsche Wohnen AG and Deutsche Wohnen Construction and Facilities GmbH**

Deutsche Wohnen AG and Deutsche Wohnen Constructions and Facilities GmbH intend to enter into a profit and loss transfer agreement in May 2014.

The Management Board and Supervisory Board propose that approval be given to enter into the profit and loss transfer agreement.

The agreement will have the following content:

## "Profit and loss transfer agreement

between

### **Deutsche Wohnen AG,**

Pfaffenwiese 300, 65929 Frankfurt am Main,

a stock corporation (*Aktiengesellschaft*) entered in the commercial register of the Frankfurt district court under HRB 42388 B

– hereinafter referred to as the "**Controlling Company**" –

and

### **Deutsche Wohnen Constructions and Facilities GmbH,**

Mecklenburgische Strasse 57, 14197 Berlin,

a limited liability company (*Gesellschaft mit beschränkter Haftung*) entered in the commercial register of the Charlottenburg district court under HRB 143094 B

– hereinafter referred to as the "**Controlled Company**", together with the Controlling Company as the "**Parties to the Agreement**" and each individually as a "**Party to the Agreement**" –

### **Introduction**

The Controlling Company is the sole shareholder of the Controlled Company, which intends to transfer its profits to the Controlling Company as from January 1, 2014. Management of business and representation of the Controlled Company shall continue to be the responsibility of the managing directors of the Controlled Company. Therefore, the Parties to the Agreement hereby enter into a profit and loss transfer agreement and agree as follows:

### **Section 1**

#### **Transfer of profit**

(1) The Controlled Company undertakes to transfer its entire profit to the Controlling Company. The provisions of Section 301 German Stock Corporation Act (*AktG*) as in effect at any given time apply accordingly and the maximum amount specified therein, subject to the creation or release of reserves in accordance with (2) below, shall be transferred.

(2) Subject to the consent of the Controlling Company, the Controlled Company may allocate amounts from the profit for the year to retained earnings in accordance with Section 272 paragraph 3 of the German Commercial Code (*HGB*) only to the extent permitted under commercial law and justified on a reasonable businessman's judgment. Any other retained earnings set aside during the term of this Agreement under Section 272 paragraph 3 German Commercial Code (*HGB*) must be released at the request of the Controlling Company.

(3) Any other retained earnings under (2) above set aside before this Agreement comes into effect shall not be transferred upon release.

(4) Amounts released from capital reserves shall not be transferred.

## **Section 2**

### **Assumption of loss**

The provisions of Section 302 German Stock Corporation Act (*AktG*) as in effect at any given time shall apply.

## **Section 3**

### **Term of Agreement, Termination**

(1) This Agreement is entered into subject to the approval of the General Shareholders Meeting of the Controlling Company and the Shareholder Meeting of the Controlled Company. The Controlled Company's resolution of approval must be certified by a notary.

(2) The Agreement shall come into effect upon entry in the commercial register at the registered office of the Controlled Company but no earlier than for the financial year starting January 1, 2014. The obligations to transfer profits and assume losses shall apply for the first time to the entire profit or loss for the financial year in which the Agreement comes into effect by being entered in the commercial register.

(3) The Agreement may be terminated by giving six months' notice prior to the end of a financial year, but no earlier than the end of the Controlled Company's financial year ending at least five full years after the start of the financial year in which the Agreement comes into effect. If notice of termination is not given the Agreement shall roll over one financial year at a time, remaining subject to the same notice period.

(4) This shall be without prejudice to the right to terminate early for good cause. In particular, the Controlling Company shall be entitled to terminate for cause if it ceases to hold the majority of the Controlled Company's voting rights or if one of the events occurs which is cov-

ered by directive R 60 paragraph 6 sentence 2 of the German Corporation Tax Directives 2004 (KStR 2004) or any other administrative directive substituting it.

(5) Termination must be made in writing.

#### **Section 4**

##### **Final provisions**

(1) Any amendments and additions to this Agreement, including to this provision, must be made in writing.

(2) In the event that one of the provisions of this Agreement should prove or become invalid or unenforceable in whole or in part, this shall be without prejudice to the validity, enforceability and execution of the remaining provisions hereof. The Parties to the Agreement shall replace any provision that is invalid or unenforceable with one that is valid and enforceable and corresponds as far as possible to the business objectives of the provision that was invalid or unenforceable. The same shall apply in the event of any omissions herein.

(3) The place of performance for both Parties shall be Berlin."

The Management Board of Deutsche Wohnen AG and the managing directors of Deutsche Wohnen Constructions and Facilities GmbH have issued a joint report under Section 293a German Stock Corporation Act (*AktG*) giving the reasons for entering into the Agreement and explaining it in detail from both a legal and a business perspective. The Agreement did not have to be audited, in accordance with Section 293b paragraph 1 German Stock Corporation Act (*AktG*).

Once the General Shareholders Meeting has been convened the following documents together with this invitation will be available on the Company's website at <http://www.deutsche-wohnen.com> (under "Investor Relations" > "Annual General Meetings" > "Ordinary Annual General Meeting 11 June 2014"). They are also available for viewing by shareholders at the offices of Deutsche Wohnen AG in Frankfurt am Main (Pfaffenwiese 300, 65929 Frankfurt am Main) and in Berlin (Mecklenburgische Strasse 57, 14197 Berlin):

- the draft profit and loss transfer agreement between Deutsche Wohnen AG and Deutsche Wohnen Constructions and Facilities GmbH dated April 20, 2014,



- the annual financial statements and consolidated financial statements of Deutsche Wohnen AG for the financial years 2011, 2012 and 2013 as well as the management reports of Deutsche Wohnen AG and the Group management reports for the financial years 2011, 2012 and 2013,
- the annual financial statements Deutsche Wohnen Constructions and Facilities GmbH for the financial years 2011, 2012 and 2013, and
- the joint report under Section 293a German Stock Corporation Act (*AktG*) issued by the Management Board of Deutsche Wohnen AG and the managing directors of Deutsche Wohnen Constructions and Facilities GmbH.

These documents will also be available during the General Shareholders Meeting on Wednesday, June 11, 2014. In addition, shareholders can request that the documents be sent one time promptly by post free of charge.

**14. Passing of a resolution concerning the authorization to acquire and use own shares, including authorization to retire treasury shares acquired and reduce capital**

According to Section 71 paragraph 1 number 8 German Stock Corporation Act (*AktG*), the Company requires special authorization from the General Shareholders Meeting to acquire and use its own shares, except where this is expressly permitted by law. As the Company's share capital has significantly increased since the passing of the resolution by the General Shareholders Meeting on June 15, 2010 on the authorization currently in place and as the current authorization expires on June 14, 2015, a motion has to be put to the General Shareholders Meeting that again authorizes the Company to acquire its own shares in order to increase flexibility.

The Management Board and Supervisory Board propose that the following resolution be passed:

**a) Cancellation of existing authorization**

The authorization granted by the General Shareholders Meeting on June 15, 2010 to acquire and use own shares shall be cancelled when this new authorization comes into effect.

**b) Creation of a new authorization**

The Management Board is authorized, with the consent of the Supervisory Board and subject to compliance with the principle of equal treatment under Section 53a German Stock Corporation Act (*AktG*), to purchase the Company's shares prior to June 10, 2019 up to a total of 10 % of

the Company's outstanding share capital at the time the resolution is passed, or at the time the authorization is used if the figure is lower. Shares acquired using this authorization together with other treasury shares the Company has previously acquired and still holds or are attributable to it under Sections 71a et seq. German Stock Corporation Act (*AktG*) may not at any time exceed 10 % of the Company's share capital. This authorization may not be used to trade in treasury shares.

**c) Nature and manner of acquisition of own shares**

Own shares may be acquired at the Management Board's discretion (i) on the stock exchange or (ii) through a public offer to purchase or tender offer made to all shareholders in the Company ((ii) is hereinafter referred to as a "Public Bid").

aa) Acquisition of shares on the stock exchange

Where own shares are acquired on the stock exchange, the purchase price (excluding ancillary purchase costs) may not be more than 10 % greater or less than the opening auction price of the Company's shares in XETRA trading (or a comparable successor system) on that day.

bb) Acquisition of shares (1) through a public offer to purchase or (2) through a public tender offer

When acquiring shares through a Public Bid the Company may set a fixed purchase price or a price range per share (excluding ancillary purchase costs) within which it is willing to acquire shares. In a Public Bid, the Company may set a deadline for accepting the or making an offer and retain the option and set terms to amend the price range prior to the expiration of the deadline in the event of major price moves. In the case of a price range, the purchase price shall be calculated based on the selling prices given in the shareholders' acceptances or offers and the acquisition volume set by the Management Board once the deadline has expired.

- (1) In a public offer to purchase, the purchase price offered or price range per Deutsche Wohnen share may not be more than 10 % greater or less than the average closing price of Deutsche Wohnen shares in XETRA trading (or a comparable successor system) over the last five trading days before the official announcement of the offer. If the Company amends the purchase price range, the last five trading days before the official announcement of the amendment shall be used.

- (2) In a tender offer to shareholders, the purchase price (excluding ancillary purchase costs) set per Deutsche Wohnen share based on tenders received may not be more than 10 % greater or less than the average closing price per Deutsche Wohnen share in XETRA trading (or a comparable successor system) over the last five trading days before the day the tender offer was announced. If the Company amends the purchase price range, the last five trading days before the official announcement of the amendment shall be used.

The volume of the offer to purchase or the tender offer may be limited. If the shares tendered by shareholders exceed the total amount of the offer to purchase or the tender offer, inclusion or acceptance shall be in proportion to the ratio of the total amount of the purchase or tender offer to the total shares tendered by shareholders. Provision may be made to give priority to shareholders tendering smaller quantities of up to 100 shares each. Further conditions may be attached to the offer to purchase or the tender offer.

**d) Management Board authorization to sell and make other use of shares acquired**

In addition to selling them on a stock exchange or in an offer to all shareholders, the Management Board is also authorized to use treasury shares acquired under the above authorization as follows:

- aa) They may be retired and the Company's share capital reduced by the portion that relates to the shares retired, without any further resolution by the General Shareholders Meeting being required. The Management Board may also retire the shares using the simplified procedure without reducing the share capital, whereby the portion of share capital represented by the remaining shares increases. If shares are retired using the simplified procedure without reducing the share capital the Management Board is authorized to adjust the number of shares in the Articles of Association.
- bb) They may be offered to current or former employees of the Company or its affiliates or members of corporate bodies of affiliates or used to service stock options granted under the stock option program described in Agenda Item 16 of the General Shareholders Meeting on June 11, 2014. The terms of the stock option program set out in Agenda Item 16 of the General Shareholders Meeting on June 11, 2014 shall apply in respect of performance targets, acquisition and exercise periods, the holding period until they can first be exercised and any other conditions.

Use of this authorization may not exceed 5 % of share capital, neither at the time the General Shareholders Meeting grants the authorization nor when it is used.

- cc) Subject to the consent of the Supervisory Board, they may be offered and transferred to third parties in consideration for contributions in kind, particularly as part of mergers or when acquiring companies, branches, divisions or participations in companies.
- dd) Subject to the consent of the Supervisory Board, they may be sold for cash to third parties, provided the price at which they are sold is not significantly below the stock exchange price of Deutsche Wohnen shares at the time of sale.
- ee) They may be used to service obligations and options to purchase Deutsche Wohnen shares arising from and in connection with convertible or warrant-linked bonds or convertible or warrant-linked bonds participation rights issued by the Company or one of its Group companies.

To the extent they are issued under Section 186 paragraph 3 sentence 4 German Stock Corporation Act (*AktG*) applied accordingly (under exclusion of subscription rights against cash contribution not significantly below the stock market price), the shares used under the authorizations in d) dd) and ee) in total may not exceed 10 % of the share capital, neither at the time the resolution is passed, nor at the time the authorization is used if the figure is lower. This limit includes shares issued or sold up to that time in direct or corresponding application of Section 186 paragraph 3 sentence 4 German Stock Corporation Act (*AktG*) during the term of this authorization. It also includes shares issued to service convertible or warrant-linked bonds or convertible or warrant-linked participation rights to the extent these bonds were issued during the term of this authorization under Section 186 paragraph 3 sentence 4 German Stock Corporation Act (*AktG*) applied accordingly.

**e) Supervisory Board authorization to use treasury shares acquired**

The Supervisory Board is authorized to use treasury shares acquired under the authorization in c) above as follows:

- aa) They may be used to service stock options of the Company's Management Board granted under the stock option program described in Agenda Item 16 of the Company's General Shareholders Meeting on June 11, 2014. The terms of the stock option program set out in Agenda Item 16 of the General Shareholders Meeting on June 11, 2014 shall apply in respect of performance targets, acquisition and exer-

cise periods, the holding period until they can first be exercised and any other conditions. Use of this authorization may not exceed 5 % of share capital, neither at the time the General Shareholders Meeting grants the authorization nor when it is used.

- bb) They may be used to service rights to acquire Deutsche Wohnen shares which are agreed with members of the Management Board of Deutsche Wohnen AG as part of the Management Board's compensation arrangements. In particular, the Supervisory Board may offer for purchase, promise or transfer subject to a holding period treasury shares to members of the Management Board of Deutsche Wohnen AG who must be members of the Management Board at the time of the offer or promise. For promises of stock the minimum holding period shall be four years. The details of the compensation of members of the Management Board are set by the Supervisory Board. These include the arrangements for the vesting of stock promised to a member of the Management Board in place of part of the variable compensation (bonus) due, as well as arrangements for the treatment of stock promises in special cases such as retirement, professional disability or death where, for example, a cash settlement may be due on the day of departure. Use of this authorization may not exceed 5 % of the share capital, neither at the time the General Shareholders Meeting grants the authorization nor when it is used.

**f) Miscellaneous provisions**

The authorizations to use treasury shares under d) and e) above may be used for all or some of the treasury shares acquired, once or more than once, individually or together. The authorizations under d) aa) to ee) may also be used by dependent enterprises or enterprises in which the Company has a majority shareholding or by third parties for the account of the Company or of dependent enterprises or enterprises in which the Company has a majority shareholding.

Use of the authorizations under d) bb) and e) may not exceed a total of 5 % of the Company's share capital, neither at the time the General Shareholders Meeting grants the authorizations nor when they are used. Shares issued from authorized or conditional capital to employees or corporate bodies of the Company or its affiliates during the term of these authorizations are included in this 5 % limit.

The authorizations under d) bb), cc), dd), ee) and e) to exclude subscription rights are restricted to an amount that in total does not exceed 20 % of the share capital, neither at the time the General Shareholders Meeting grants the authorizations nor when they are used. Included in this limit is the proportionate amount of the share capital represented by those shares issued to ser-

vice convertible or warrant-linked bonds and / or convertible or warrant-linked participation rights (or a combination of these instruments), provided the bonds or participation rights are issued under the authorization in Agenda Item 9 of the General Shareholders Meeting of June 11, 2014 under the exclusion of the shareholders' subscription rights during the term of that authorization, as well as those shares issued under the authorization in Agenda Item 8 of the General Shareholders Meeting of June 11, 2014 under the exclusion of the shareholders' subscription rights during the term of that authorization. To the extent that during the term of the authorizations to exclude shareholders' subscription rights described under d) bb), cc), dd), ee) and e) rights are established to subscribe to shares of Deutsche Wohnen AG in exchange for shares of GSW Immobilien AG through the entry into force of the domination agreement between Deutsche Wohnen AG and GSW Immobilien AG concluded on April 30, 2014, the number of these shares of Deutsche Wohnen AG will also be included in the above-mentioned 20 % limit. In addition, the following shares are also to be included in this 20 % limit: the shares from the conditional capital that are issued to service stock option rights, if the stock option rights are granted during the term of this authorization on the basis of the authorization under Agenda Item 16 of the General Shareholders Meeting of the Company on June 11, 2014.

**15. Passing of a resolution concerning the conversion of all outstanding registered shares to bearer shares and corresponding amendments to Section 4 paragraph 2 and paragraph 3 sentence 1 and Section 9 of the Articles of Association**

At the time the General Shareholders Meeting is convened, the Company's shares are mostly (approximately 99.971 %) bearer shares, with far fewer registered shares (approximately 0.029 %; this corresponds to 82,638 no-par value shares of the Company). Owners of registered shares have regular opportunities to convert these into bearer shares. The next date for conversion is June 16, 2014. As registered shares make it necessary for the Company to keep a share register and the Management Board and Supervisory Board agree that the cost and effort involved are not offset by any corresponding or preponderant benefits from retaining registered shares, the registered shares will be converted into bearer shares and Section 4 paragraph 2, paragraph 3 sentence 1 and Section 9 of the Articles of Association shall be amended accordingly.

The Management Board and Supervisory Board propose that the following resolution be passed:

**a) Conversion of registered shares into bearer shares**

Any shares in the Company in registered form that have not already been converted into bearer shares by their owners before the amendment to the Articles of Association under b) below is entered in the commercial register shall be converted into bearer shares.

**b) Amendments to the Articles of Association**

aa) Section 4 paragraph 2 of the Articles of Association will now read as follows:

“Shares are in bearer form.”

- bb) Section 4 paragraph 3 sentence 1 of the Articles of Association is deleted without replacement.
- cc) Section 9 paragraph 5 of the Articles of Association is deleted without replacement.
- dd) Section 9 paragraph 6 of the Articles of Association becomes Section 9 paragraph 5 of the Articles of Association. In addition, Section 9 paragraph 5 of the Articles of Association will now read as follows:

“(5) Only those holders of bearer shares who have registered to attend on time in accordance with paragraph 6 are entitled to attend the General Shareholders Meeting and exercise their voting rights.”
- ee) Section 9 paragraph 7 of the Articles of Association becomes Section 9 paragraph 6 of the Articles of Association. In addition, sentence 1 of Section 9 paragraph 6 of the Articles of Association will now read as follows:

“(6) Registration in accordance with paragraph 5 and proof in accordance with paragraph 5 sentence 2 must be received by the Management Board at the registered office of the Company or at another location specified in the convening notice at least six days before the General Shareholders Meeting in writing (as per Section 126b German Civil Code (*BGB*)) and must be in either German or in English.”
- ff) Section 9 paragraph 8 of the Articles of Association becomes Section 9 paragraph 7 of the Articles of Association.
- gg) Section 9 paragraph 9 of the Articles of Association becomes Section 9 paragraph 8 of the Articles of Association.
- hh) Section 9 paragraph 10 of the Articles of Association becomes Section 9 paragraph 9 of the Articles of Association.
- ii) Section 9 paragraph 11 of the Articles of Association becomes Section 9 paragraph 10 of the Articles of Association.
- jj) Section 9 paragraph 12 of the Articles of Association becomes Section 9 paragraph 11 of the Articles of Association.

**16. Passing of a resolution concerning the authorization to issue stock options to Members of the Management Board of Deutsche Wohnen AG and to selected executives of Deutsche**



**Wohnen AG and affiliated companies, the creation of Conditional Capital 2014/III to service stock options and the insertion of a new Section 4d to the Articles of Association**

It is planned to approve a stock options program for the Company in order to grant to Members of the Management Board of the Company and selected executives of the Company and affiliated companies subscription rights to shares in the Company (stock option program 2014 (“**AOP 2014**”). The program also seeks to provide a focused incentive to program participants and encourage their loyalty to Deutsche Wohnen Group. The performance targets use a multi-year base and are in compliance with the legal requirements of the German Stock Corporation Act (*AktG*) and the German Corporate Governance Code (*DCGK*).

The conditional capital 2014/III planned to implement AOP 2014 and the associated subscription rights exclusion is arithmetically limited based on the assumption of a benchmark value of just EUR 1.00 to a maximum of 4.50 percent of the share capital at the time the resolution is passed. To the extent the Company does not grant treasury shares, the servicing of subscription rights with new shares would cause a maximum dilution of 4.31 percent.

The Management Board and Supervisory Board therefore propose that the following resolution be passed:

**a) Authorization to issue stock options as part of AOP 2014**

The Management Board is authorized for up to four years after the Conditional Capital 2014/III takes effect through entry in the commercial register, but at least until the end of 16 weeks after the closing of the ordinary General Shareholders Meeting 2018 (“**Authorization Period**”), to grant to the program participants up to 12,879,752 subscription rights (“**Stock Options**”) to 12,879,752 no-par value bearer shares of the Company. For Members of the Management Board, the responsibility for granting lies solely with the Supervisory Board. To the extent stock options lapse due to the departure of persons eligible for subscription rights from Deutsche Wohnen AG or from an affiliated company or due to the departure of an affiliated company from Deutsche Wohnen Group within the Authorization Period, a corresponding number of additional stock options may be issued. The granting and exercising of stock options takes place on the basis of the following conditions:

**aa) Group of persons eligible for subscription rights and division of stock options**

The group of eligible persons comprises the members of the Company’s Management Board and selected executives of the Company and of affiliated companies (“**Persons Eligible For Subscription**”). The Management Board, with the consent of the Supervisory

Board, shall determine the exact group of Persons Eligible For Subscription along with the amount of stock options to be granted to each of them. To the extent Members of the Management Board are to receive stock options, only the Supervisory Board shall determine and issue the stock options.

The shareholders have no statutory subscription right to the stock options.

The total amount of up to 12,879,752 stock options is divided among the groups of persons eligible as follows:

- (i) A total of up to 8,371,839 stock options to Members of the Management Board of the Company (“**Group 1**”), and
- ii) a total of up to 4,507,913 stock options to selected executives of the Company and affiliated companies (“**Group 2**”).

Persons that form part of both groups will receive stock options only because of their membership in one group.

bb) Stock option and reference price

Subject to the details of the stock option conditions, each stock option grants the right to acquire one no-par value bearer share in the Company representing EUR 1.00 of the share capital against payment of the lowest issue amount allowed by the law of currently EUR 1.00.

The number of stock options to be issued to an eligible person is based on the reference price of a stock option and the planned variable compensation for the eligible person. The reference price of a stock option equals the average closing price (arithmetical average) of the Company’s shares on the electronic trading platform XETRA of Deutsche Börse AG in Frankfurt am Main (or a comparable successor system) on the last 30 trading days before the day the respective stock option is issued.

The stock option conditions can include the possibility that the Company grants to the Persons Eligible For Subscription treasury shares instead of new Company shares from conditional capital, or to the extent they are selective executives (employees) of the Company or affiliates, new shares from authorized capital. To the extent the eligible person is a Member of the Management Board of the Company, the Supervisory Board is to decide. The acquisition of own shares and the issue of new shares from authorized capital as an

alternative for fulfilling the stock options is not granted by this resolution; they are given under separate resolutions.

cc) Issuing period (acquisition period)

The stock options may be issued in annual tranches within the Authorization Period. The individual tranches of stock options may be issued within a period of 16 weeks following release of the results for the most recent business year. In the first year – in this case 2014 – the stock options may be issued in the period that goes from the conclusion of the General Shareholders Meeting until 16 weeks after the conditional capital has been entered in the commercial register of the Company.

dd) Holding period and expiry of the stock options

Stock options may be exercised for the first time after the holding period has expired. The holding period of any tranche of stock options begins with the issue day and terminates with the end of the day of the fourth anniversary of the issue day (“**Holding Period**”).

The stock options expire after seven years, as calculated from the issue date. Stock options that have not been exercised or could not be exercised by the end of the term lapse without replacement or compensation. The conditions noted above regarding the authorization for the new issue of stock options that have lapsed early remain unaffected by this.

ee) Performance targets

Stock options can only be exercised if and to the extent the following performance targets have been achieved: Increase of the (i) “adjusted NAV per share”, (ii) “FFO (not including sales) per share” and (iii) share price.

Within each individual tranche of the stock options, the performance target “share price performance” has a weighting of 20 percent, and the performance target “adjusted NAV per share” and the performance target “FFO (not including sales) per share” each have a weighting of 40 percent. Within each of the performance targets there is a minimum target that must be achieved so that half of the stock options based on this performance target can be exercised, as well as a maximum target that, when achieved, renders all stock options based on this performance target eligible for exercise within the framework of the weighting of the performance target. The minimum target is reached at 75 % of target achievement and the maximum target at 150 % of target achievement.

***Performance target “adjusted NAV per share”***

The minimum target or maximum target for the performance target “adjusted NAV per share” is achieved if the „adjusted NAV per share“ for the business year ending before the expiration of the holding period compared with the „adjusted NAV per share“ for the business year before the stock options are issued is increased, or significantly increased, through organic growth, and the determination of the performance target is based on the respective planning of the Company for the next four years.

The basis for calculating the performance target “adjusted NAV per share” is the EPRA NAV per share (as currently defined) of the Company that is shown in the audited group financial statements of Deutsche Wohnen Group for the respective financial year. The “EPRA NAV” is a definition of net asset value (“NAV”) used by the European Public Real Estate Association (“EPRA”) to provide the intrinsic value of a real estate company. The EPRA NAV is the sum of the total assets minus the sum of liabilities and the minority shares, which is then adjusted for the balance of deferred tax assets and liabilities and the balance of derivative financial instruments held as assets and liabilities. Calculated in this manner, the EPRA NAV is then adjusted for goodwill and divided by the total number of shares of the Company on the relevant record date of the group financial statements of Deutsche Wohnen AG in order to obtain the respective „adjusted NAV per share“.

***Performance target “FFO (not including sales) per share”***

The minimum target or maximum target for the performance target “FFO (not including sales) per share” is achieved if the funds from operations (“FFO”) (not including sales) per share for the business year ending before the expiration of the holding period compared with the „FFO (not including sales) per share“ for the business year before the stock options are issued is increased, or significantly increased, through organic growth, and the determination of the performance target is based on the respective planning of the Company for the next four years.

The basis for calculating the performance target “FFO (not including sales) per share” is the „FFO (not including sales) per share“ that is shown in the audited group financial statements of Deutsche Wohnen Group for the respective financial year. The performance target FFO (not including sales) is defined as follows: Starting from the gain or loss for the period, adjustments will be made for depreciation and amortization, the gain or loss from fair value adjustments on the investment property, the gain or loss from discontinued operations, the gain or loss from market value adjustments on derivative financial instruments, one-off effects and special effects, non-cash-related financial expenses from

interest accrued on liabilities and pensions, pre-payment penalties, deferred taxes, and the tax benefit stemming from capital increase costs, and for results from the sale. Calculated in this manner, the FFO (not including sales) is then divided by the average number of shares of the Company during the respective financial year of the relevant group financial statements of Deutsche Wohnen AG in order to obtain the „FFO (not including sales) per share“.

***Performance target “stock performance”***

The minimum target or maximum target for the performance target “stock performance” is achieved if the relative performance of the Company’s shares between the day the stock option is issued and the end of the holding period is 75 % or 150 % of the performance of the EPRA/NAREIT Germany Index (or some other index functionally substituting the EPRA/NAREIT Germany Index) over the same time period.

The price of the share at the time the stock option is issued is determined by the average closing price (arithmetical average) of the Company’s shares on the electronic trading platform XETRA of Deutsche Börse AG in Frankfurt am Main (or a comparable successor system) on the last 30 trading days before the day the respective stock option is issued. The price of the share at the end of the holding period is determined by the average closing price (arithmetical average) of the Company’s shares on the electronic trading platform XETRA of Deutsche Börse AG in Frankfurt am Main (or a comparable successor system) on the last 30 trading days before the last day of the holding period. The performance of the EPRA/NAREIT Germany Index is calculated accordingly.

The benchmark index is the EPRA/NAREIT Germany Index calculated by EPRA under exclusion of the Company. Companies that exit or join the index during the relevant period for the calculation of the relevant benchmark index value of the EPRA/NAREIT Germany Index are not taken into consideration. In calculating the relevant index value, the Company may use the data provided by a recognized independent provider of financial data.

ff) Calculation of the stock options that can be exercised per tranche/ CAP

Subject to special arrangements for termination of the service or employment relationship of the person eligible before the expiration of the holding period, the number of stock options that can be exercised per tranche equals the number of all stock options of the respective tranche multiplied by the percentage rate calculated from the sum of the percentage rates based on achieving one or several performance targets on the basis of the condi-

tions noted above, and taking into consideration the above weighting of the performance targets, so that a difference in achieving the performance targets is compensated in favor of the person eligible. This compensation also holds true if the minimum targets have not been reached.

In the case of extraordinary unforeseen developments, the Supervisory Board can limit wholly or in part the content and the amount of the stock options granted to Members of the Management Board and the Management Board those granted to executives of the Company and affiliates.

gg) Exercise periods

After the holding period has expired, the stock options issued in a tranche can be exercised wholly or in part only on the basis of the following conditions. The exercise of the options must take place within a period of three years after expiration of the holding period (“**Exercise period**”).

The following are the blackout periods during which the person eligible may not exercise options:

- (i) the three weeks before and one day after the release of quarterly or semi-annual results;
- (ii) the last two weeks before the conclusion of a financial year until one day after the release of the results for the financial year;
- (iii) the period of time from expiration of the registration deadline for a General Shareholders Meeting of the Company until the end of the day of the General Shareholders Meeting;
- (iv) the period from the approval of the annual financial statements to the end of the day on which the General Shareholders Meeting is held; as well as
- (v) the period from the day of the publication of an offer to subscribe to new shares or bonds or other convertible or warrant-linked securities in the official publication organ of a securities exchange until the end of the last day of the subscription period.

hh) Exercise price

When a stock option is exercised, the exercise price for each share being acquired by the respective Person Eligible For Subscription is to be paid to the Company. The exercise price is equal to the lowest issuing amount set by the law, currently EUR 1.00.

ii) Dilution protection

If the Company undertakes capital or structural measures during the period of stock options, the Management Board of the Company, or the Supervisory Board to the extent Members of the Management Board are affected, is authorized to compensate the Persons Eligible For Subscription for the economic effect. This applies in particular if the Company increases the share capital by issuing new shares against cash contributions granting direct or indirect subscription rights to the shareholders or issues fractional convertible or warrant-linked bonds. The compensation can be achieved by adjusting the subscription ratio. However, Persons Eligible For Subscription have no legal claim to compensation for the economic effect. If shares, convertible bonds or option rights are issued under a share-based compensation program, including this AOP 2014, then no compensation is granted.

If the share capital is increased from Company funds through the issue of new shares, the number of shares that may be acquired per stock option increases in proportion with the share capital. If the increase in capital from Company funds is without the issue of new shares (Section 207 paragraph 2 sentence 2 German Stock Corporation Act (*AktG*)), the subscription ratio and exercise price remain unchanged.

If the share capital is reduced through the pooling or retirement of shares, the number of shares that may be acquired per stock option is reduced in the same proportion as the proportion between the amount by which the share capital is reduced and the share capital of the Company prior to the reduction. In the event of a nominal capital reduction through the pooling of shares, the exercise price per share is increased in proportion to the capital reduction. If the capital is reduced through repayment out of capital or retirement of treasury shares, the exercise price and the subscription ratio remain unchanged.

Fractions of shares will not be delivered or compensated. If a Person Eligible For Subscription exercises several stock options, fractional shares are added up, however.

jj) Miscellaneous provisions

The stock options are non-transferrable. All types of disposals (*Verfügungen*) relating to stock options including granting sub-interests in stock options, pledging of stock options and placement with a trustee for the stock options are prohibited. The same applies to transactions which result in the economic effect of a disposal of or charge to the stock options.

In principal, option rights can be exercised only if, at the time they are exercised, the eligible person is in an ongoing service or employment relationship with the Company or affiliated company. However, if the employment relationship of the Person Eligible For Subscription is not terminated by the Company for good cause he is responsible for within the meaning of Section 626 paragraph 1 German Civil Code (*BGB*), he has the right to exercise all stock options eligible for exercise and all stock options which are not yet eligible for exercise but have become vested on the day the employment relationship ends and after they become eligible for exercise following the achievement of the target, in the first exercise period following termination of the employment relationship. If stock options can no longer be exercised based on the above regulations, they lapse without replacement or compensation. The provision regarding the authorization for the new issue of stock options that have lapsed remains unaffected by this. The stock option conditions may provide for special regulations regarding death, retirement or other special reasons of departure, including departure of affiliated companies, branches or divisions of Deutsche Wohnen Group, as well as a control change or delisting, as well as to fulfill legal requirements.

As far as practically and legally possible, new shares of the Company issued as a result of the exercise of options are first entitled to a dividend for the financial year for which, at the date of their issue, a resolution regarding the appropriation of profit had not yet been passed at the General Shareholders Meeting.

The Management Board is authorized, subject to the consent of the Supervisory Board, to define the other conditions of the stock option program including the stock option conditions for the eligible persons; where the members of the Company's Management Board are concerned, these are decided by the Supervisory Board of the Company. Key details include setting the minimum and maximum targets, the amount of the stock options granted to each Person Eligible For Subscription, further details of the adjustment of the exercise price and/or the subscription ratio in the event of capital and structural measures for the purpose of anti-dilution protection, regulations on the division of stock options



within the eligible group of persons, the issue date within the specified periods, the procedure for the allocation to the individual Persons Eligible For Subscription, the issue and acquisition periods for other eligible persons, the procedure for the exercise of stock options as well as further procedural regulations, especially the technical organization of the issue of the respective shares of the Company or the performance of the cash payment following the exercise of the option.

**b) Conditional Capital 2014/III**

The share capital is conditionally increased by up to EUR 12,879,752.00 by the issue of up to 12,879,752 new no-par value bearer shares (Conditional Capital 2014/III). The conditional capital increase solely serves to grant shares to the holders of stock options under AOP 2014, which the Management Board has been authorized to issue by resolution of General Shareholders Meeting of June 11, 2014 under a) above (“Authorization to issue stock options under AOP 2014”). The conditional capital increase will only be exercised to the extent that the holders of stock option granted under the authorization by the General Shareholders Meeting of June 11, 2014 exercise these stock option and the Company does not fulfill the stock option by delivering treasury shares.

As far as practically and legally possible, the new shares participate in the profit from the beginning of the fiscal year for which the General Shareholders Meeting has not yet adopted a resolution on the appropriation of profits at the time the new shares are issued.

The proportion of new shares in the share capital attributable to the issued shares may not exceed 5 % of the share capital, neither at the time of the General Shareholders Meeting resolution regarding this authorization nor on the date this authorization is exercised. This 5 % limit shall also include the Company’s treasury shares and shares from the Company’s authorized capital that are granted to employees or executive bodies of the Company or its affiliates within the term of this authorization.

**c) Amendments to the Articles of Association**

The following new Section 4d will be inserted in the Company’s Articles of Association:

“Section 4d

- (1) The share capital is conditionally increased by up to EUR 12,879,752.00 by the issue of up to 12,879,752 new no-par value bearer shares each representing a pro rata amount of the share capital of EUR 1.00 (Conditional Capital 2014/III). The conditional capital increase solely serves the purpose to grant stock options to Members

of the Management Board of the Company and selected executives of the Company and affiliated enterprises, subject to the details of the authorization resolution of the General Shareholders Meeting of June 11, 2014. The conditional capital increase will only be exercised to the extent that the holders of stock options exercise their subscription rights to shares in the Company and the Company does not satisfy the subscription rights by delivering treasury shares. As far as practically and legally possible, the new shares that were issued as a result of the exercise of stock options are first entitled to a dividend for the fiscal year for which the General Shareholders Meeting has not yet adopted a resolution on the appropriation of the balance sheet profits at the time the new shares are issued. Otherwise the new shares are entitled to dividends from the financial year in which they are created.

- (2) The proportion of new shares in the share capital attributable to the issued shares may not exceed 5 % of the share capital of the Company, neither at the time of the General Shareholders Meeting's resolution regarding this authorization nor on the date this authorization is exercised. This 5 % limit shall also include the Company's treasury shares and shares from the Company's authorized capital that are granted to employees or executive bodies of the Company or its affiliates within the term of this authorization."

**d) Amendment to the Articles of Association**

The Supervisory Board is authorized to adjust Section 4d of the Articles of Association in order to reflect the issue of new shares.

**II. Management Board Reports**

**1. Management Board Report on Agenda Item 8 (Passing of a resolution on the creation of Authorized Capital 2014 with the possibility of excluding subscription rights)**

With regard to Item 8 of the General Shareholders Meeting on June 11, 2014, the Management Board and the Supervisory Board propose cancelling the existing authorized capital and replacing this with a new authorized capital (Authorized Capital 2014). In accordance with Section 203 paragraph 2 sentence 2 in conjunction with Section 186 paragraph 4 sentence 2 German Stock Corporation Act (*AktG*), the Management Board provides the reasons for authorizing the exclusion of shareholders' subscription rights when issuing new shares in Agenda Item 8 of the General Shareholders Meeting:

The Management Board did not utilize the authorization granted to them by the General Shareholders Meeting on May 28, 2013 to increase the Company's share capital, with the consent of the Supervisory Board, by up to EUR 80,378,000.00 once or several times in the period until May 27, 2018 through the issuance of up to 80,378,000 new no-par value bearer shares against contribution in cash and/or in kind (Authorized Capital 2013).

On August 20, 2013, the Management Board and Supervisory Board of the Company passed precautionary resolutions to increase the Company's share capital using the Company's Authorized Capital 2013 of up to 33,781,428 new bearer shares under the exclusion of subscription rights for a voluntary public tender offer to the shareholders of GSW Immobilien AG. During the course of the voluntary public tender offer however, it transpired that it was not necessary to carry out this capital increase from Authorized Capital 2013. Consequently, these utilization resolutions were cancelled. The Articles of Association thus contain the original amount of corresponding authorized capital in Section 4a.

On the basis of the resolutions passed by the Extraordinary Shareholders Meeting on September 30, 2013, the Company increased its share capital from EUR 168,907,143.00 to EUR 286,216,731.00. In order to ensure that the Company continues to be flexible enough in the future to extensively increase its equity capital, where necessary, the existing Authorized Capital 2013 shall be cancelled, a new authorized capital be created and the Articles of Association be changed accordingly.

The new authorized capital (Authorized Capital 2014) proposed in Agenda Item 8 a) of the General Shareholders Meeting on June 11, 2014 will grant the Management Board authorization to increase the Company's share capital, with the consent of the Supervisory Board, by up to EUR 85,000,000.00 once or several times in the period until June 10, 2017 through the issuance of up to 85,000,000 new no-par value bearer shares against a contribution in cash and/or in kind.

The Authorized Capital 2014 shall also allow the Company to continue to raise the capital required for its further development on the markets in the short term by issuing new shares as well as to flexibly benefit from a favorable market environment in order to fulfill its future financing needs quickly. As decisions regarding the fulfillment of future capital requirements are normally made at short notice, it is important that the Company is not restricted by the timing of the annual General Shareholders Meeting or by the long notice period required for convening an Extraordinary General Shareholders Meeting. Legislators have made accommodations for this situation in the form of the "authorized capital".

Upon utilization of the Authorized Capital 2014 for the issuance of shares against contributions in cash, shareholders have subscription rights in principle (Section 203 paragraph 1 sentence 1 in conjunction with Section 186 paragraph 1 German Stock Corporation Act (*AktG*)), although indirect subscription rights within the meaning of Section 186 paragraph 5 German Stock Corporation Act (*AktG*) would also suffice. The issuing of shares while granting such indirect subscription rights is already deemed by the law as not being an exclusion of subscription rights. Shareholders are ultimately granted the same subscription rights as with a direct subscription. For technical settlement-related reasons only, one or several credit institutions are involved in the transaction.

The Management Board shall however be authorized, with the consent of the Supervisory Board, to exclude subscription rights in certain cases.

- (i) The Management Board shall be able to exclude subscription rights for fractional amounts with the consent of the Supervisory Board. The aim of this exclusion of subscription rights is to simplify the process of issuing new shares with general shareholders' subscription rights, as this makes a technically feasible subscription ratio possible. The fractional amount is normally low for each shareholder, therefore the potential dilutive effect is likewise considered to be low. On the other hand, the cost of issuing shares without such exclusion is significantly higher. The exclusion therefore serves to ensure that an issuance is practical and can be carried out much easier. The fractions of new shares excluded from the shareholders' subscription rights will be realized either by sale on a stock exchange or in any other manner so as to best further the Company's interests. The Management Board and the Supervisory Board deem the potential exclusion of subscription rights as objectively justified for these reasons as well as being reasonable in consideration of shareholder interests.
- (ii) The Management Board shall also be able to exclude subscription rights with the consent of the Supervisory board, to the extent that it is necessary for holders of warrant-linked bonds or convertible bonds to be provided subscription rights on new shares. Warrant-linked bonds and convertible bonds provide dilution protection in their issuance conditions, which grants the holder subscription rights on new shares for subsequent share issues. They will thus be treated as though they are already shareholders. In order to be able to provide bonds with such dilution protection, the shareholders' subscription rights must be excluded from these shares. This serves to make the placement of bonds easier and thus fulfills the shareholders' interests of the Company having an optimal financial structure. Furthermore, the exclusion of subscription rights in favor of the holders of bonds that grant an option or conversion right or create an option or con-

version obligation offers the advantage that, in the event that the authorization is exercised, the option or conversion price does not need to be reduced for the holders of existing bonds that grant an option or conversion right or create an option or conversion obligation according to the respective terms and conditions of the bond. This allows for an increased cash inflow and is therefore in the interest of the Company and its shareholders.

- (iii) In the event of capital increases for cash, subscription rights can also be excluded if the shares are issued at a price that is not significantly lower than the stock market price and such an increase in capital does not exceed 10 % of the share capital (simplified exclusion of subscription rights in accordance with Section 186 paragraph 3 sentence 4 German Stock Corporation Act (*AktG*)).

The authorization enables the Company to flexibly respond to all favorable capital market situations that arise and to flexibly place new shares on very short notice, i.e. without having to offer subscriptions for at least two weeks. The exclusion of subscription rights allows for an extremely quick response and placement close to the market price, i.e. without the usual discount for issuing subscriptions. This lays the foundations for generating the highest possible disposal amount and for increasing equity as much as possible. The authorization for the simplified exclusion of subscription rights is objectively justified not least due to the fact that an increased cash inflow can often be generated.

Such a capital increase must not exceed 10 % of the share capital on the date on which the authorization becomes effective or on the date on which it is exercised. The resolution proposal also provides for a deduction clause. The maximum 10 % of the share capital relating to this exclusion of subscription rights includes shares that have been or are to be issued to service bonds carrying conversion and/or option rights and/or a conversion obligation in accordance with Section 221 paragraph 4 sentence 2 in conjunction with Section 186 paragraph 3 sentence 4 German Stock Corporation Act (*AktG*) within the term of the authorization under exclusion of subscription rights. The sale of treasury shares is also included insofar as they are sold using an authorization within the term of this authorization under exclusion of subscription rights according to Section 71 paragraph 1 number 8 sentence 5 clause 2 in conjunction with Section 186 paragraph 3 sentence 4 German Stock Corporation Act (*AktG*).

The simplified exclusion of subscription rights requires the issue price of the new shares to not be significantly lower than the market price. Should there be a discount on

the current stock market price, subject to special circumstances in individual cases, it is not expected to be greater than 5 % of the stock market price. This ensures that the shareholders' need for protection is taken into account in terms of a dilution of the value of their participation. Fixing the issue price close to the stock market price ensures that the value of subscription rights for the new shares is for all intents and purposes very low. Shareholders have the option of maintaining their relative participation ratio by acquiring additional shares on the stock exchange.

- (iv) Furthermore, subscription rights to shares are planned to be excluded so that shares can be issued to employees of the Company and/or its affiliates particularly also under the share options program described in Agenda Item 16 of the Company's General Shareholders Meeting on June 11, 2014, whereby the pro rata amount of the new shares issued from the share capital may not exceed 5 % of the Company's share capital, neither with respect to the date on which the resolution for this authorization is passed by the General Shareholders Meeting nor the date on which such authorization is exercised. The issue of employee shares will allow employees to hold a stake in the Company and participate in its success, thus increasing employee loyalty to the Company. The shares issued under this authorization must not, together with the Company's treasury shares and shares from the Company's conditional capital that are issued to employees and executive bodies of the Company or its affiliates, exceed a pro rata amount of 5 % of the share capital, neither with respect to the date on which the resolution for this authorization is passed by the General Shareholders Meeting nor the date on which such authorization is exercised.
- (v) Subscription rights can also be excluded when increasing capital against contributions in kind. The Company should also be able to continue to make acquisitions of, in particular, companies, parts of companies, participations or other assets (especially real estate portfolios and shares in real estate companies), and respond to offers about acquisitions or mergers in order to become more competitive and increase the profitability and value of the Company. Furthermore, the exclusion of subscription rights is also intended to be used to service convertible bonds and warrant-linked bonds as well as convertible or warrant-linked participation rights that are issued against assets in kind. Experience shows that shareholders of attractive acquisition objects will sometimes have a strong interest – e.g. in order to maintain some influence on the object being the contribution in kind – in acquiring no-par value shares (with the ability to vote) in the Company as compensation. From the perspective of an optimal financing structure, the option of not effecting compensation exclusively in cash, but also in shares, or exclusively

in shares, also has the advantage that to the extent new shares can be used as acquisition currency the liquidity of the Company can be preserved, borrowing be avoided, and the seller be allowed to participate in future share performance. This will result in an improvement to the Company's competitive position in terms of acquisitions.

The ability to use Company shares as acquisition currency thus provides the Company with the requisite room for maneuver to rapidly and flexibly seize such acquisition opportunities as well as enables the Company to acquire even larger units in return for shares. It should also be possible, in some circumstances, to acquire assets and commodities (in particular, real estate portfolios and shares in real estate companies) in return for shares. In both cases, the shareholders' subscription rights must be able to be excluded. As such acquisitions frequently have to be completed at short notice, it is important that these decisions are not generally resolved at General Shareholders Meetings, which occur just once a year. This requires an authorized capital, which the Management Board is able to quickly access upon receiving approval from the Supervisory Board.

The same applies to the servicing of conversion rights and obligations under conversion bonds and warrant-linked bonds, as well as convertible or warrant-linked participation rights (or a combination of these instruments) (collectively referred to as "bonds"), which are likewise issued for the purpose of acquiring companies, parts of companies, participations in companies, or other assets on the basis of the authorization under Agenda Item 9 of the General Shareholders Meeting on June 11, 2014 under the exclusion of shareholders' subscription rights. New shares are issued against assets in kind, either in form of the bond or the non-cash payment made on the bond. This causes an increase in the flexibility of the Company with respect to the servicing of conversion rights and obligations. The offering of bonds in place of or in addition to shares or cash payments can represent an attractive alternative, which increases the Company's competitive position in terms of acquisitions thanks to the additional flexibility. Shareholders are protected by the subscription rights that they are entitled to upon the issue of bonds carrying a conversion right or obligation.

Instances in which subscription rights can be excluded for bonds carrying a conversion right or obligation are detailed in the report on Agenda Item 9. When opportunities arise to merge with another company or to acquire companies, parts of companies, participations in companies, or other assets, the Management Board will carefully check whether it should make use of the authorization to increase capital by granting new shares. This also includes, in particular, the examination of the valuation ratio between the Company

and the investment made in any company or other assets, as well as the setting of the issue price for new shares and the other terms of the share issuance. The Management Board will only use the authorized capital if it is confident that the merger or acquisition of the company or part of the company or the acquisition of a participation against the granting of new shares is in the best interest of the Company and its shareholders. The Supervisory Board will only give its required consent if it arrives at the same conclusion.

The aforementioned authorizations for the exclusion of subscription rights are limited, in sum, to an amount which may not exceed 20 % of the share capital, neither with respect to the date on which the authorization becomes effective nor the date on which such authorization is exercised. This 20 % limit shall also include treasury shares that are sold within the term of this authorization under exclusion of subscription rights as well as those shares issued to service bonds (including participation rights) carrying conversion or option rights or a conversion obligation (or a combination of these instruments), provided that the bonds or participation rights are issued within the term of the authorization under the exclusion of subscription rights using the authorization granted in Agenda Item 9 of the General Shareholders Meeting on June 11, 2014. To the extent that during the term of the authorization to exclude shareholders' subscription rights described in the preceding paragraphs rights are established to subscribe to shares of Deutsche Wohnen AG in exchange for shares of GSW Immobilien AG through the entry into force of the domination agreement between Deutsche Wohnen AG and GSW Immobilien AG concluded on April 30, 2014, the number of these shares of Deutsche Wohnen AG will also be included in the above-mentioned 20 % limit. In addition, the following shares are also to be included in this 20 % limit: the shares from the conditional capital that are issued to service stock option rights, if the stock option rights are granted during the term of this authorization on the basis of the authorization under Agenda Item 16 of the General Shareholders Meeting of the Company on June 11, 2014. This restriction ensures that there is limited potential for shareholders excluded from subscription rights having their voting rights diluted. In consideration of all of these circumstances, the authorization to exclude subscription rights within the outlined limits is necessary, commensurate, appropriate and required in the interest of the Company.

If, during the course of a financial year, the Management Board utilizes any of the aforementioned authorizations to exclude subscription rights as part of a capital increase from Authorized Capital 2014, it shall report on this matter at the subsequent General Shareholders Meeting.



**2. Report of the Management Board on Agenda Item 9 (Passing of a resolution on the authorization to issue convertible and/or warrant-linked bonds and/or convertible or warrant-linked participation rights, and creation of new Conditional Capital 2014/I)**

Regarding Agenda Item 9 of the General Shareholders Meeting held on June 11, 2014, the Management Board and Supervisory Board propose the partial cancellation of the existing authorizations to issue convertible and/or warrant-linked bonds and convertible or warrant-linked participation rights (or a combination of these instruments) and the corresponding Conditional Capital 2013 and the creation of a new authorization and new Conditional Capital 2014/I. In accordance with Section 221 paragraph 4 sentence 2 in conjunction with Section 186 paragraph 4 sentence 2 German Stock Corporation Act (*AktG*), the Management Board provides the reasons for authorizing the exclusion of shareholders' subscription rights when issuing new shares in Agenda Item 9 of the General Shareholders Meeting:

Through a resolution passed by the General Shareholders Meeting held on May 28, 2013, the Management Board was authorized, subject to the approval of the Supervisory Board, to issue convertible and/or warrant-linked bonds and/or convertible or warrant-linked participation rights (or a combination of these instruments) (hereinafter: "Bonds") with a total nominal value of up to EUR 850,000,000.00 with or without a limitation on maturities in one or more tranches up to May 27, 2018. The Conditional Capital 2013 amounting to EUR 40,189,000.00 was created to service the Bonds (Section 4b paragraph 1 of the Articles of Association).

In partial exercising of this authorization, the Company issued a convertible bond with a total nominal value of EUR 250,000,000.00 in a private placement on November 22, 2013 under the simplified exclusion of subscription rights; this bond can be converted into up to 16,075,714 new shares with no-par value, to be created on the basis of the Conditional Capital 2013, each with a proportionate value of EUR 1.00 of the Company's share capital. As a result, the authorization granted by the General Shareholders Meeting on May 28, 2013 can no longer be used flexibly. In particular the possibility for a simplified exclusion of subscription rights has mostly been exhausted. In light of this, the Management Board and Supervisory Board consider it appropriate to cancel the existing 2013 authorization and existing Conditional Capital 2013 to the extent that they had not yet been utilized and replace it by a new authorization and a new conditional capital.

In view of the fact that the following resolution is to cancel the 2013 authorization insofar as it has not been exercised, and that no further Bonds may therefore be issued under the authorization from this point in time, the existing Conditional Capital 2013 must only be reserved up to an amount of EUR 16,075,714.00 for securing the conversion rights of the convertible bond is-

sued on November 22, 2013. An amount of EUR 24,113,286.00 of the Conditional Capital 2013 can therefore be cancelled and the Articles of Association can be changed accordingly.

In order to make use of the spectrum of possible capital market instruments that securitize conversion or option rights, it seems appropriate to set the permissible issue volume at EUR 950,000,000.00 in the authorization. The conditional capital, which is used to fulfill the conversion and option rights, will amount to EUR 50,000,000.00. This ensures that this authorization limit can be fully used. The number of shares that are needed to fulfill option or conversion rights from a bond with a particular issue volume generally depends on the stock market price of Deutsche Wohnen AG shares at the time at which the bond is issued. If sufficient conditional capital is available, the possibility of making use of the full authorization limit for the issue of convertible or warrant-linked bonds is assured.

Adequate capital is a key basis for the development of the Company. By issuing convertible and warrant-linked bonds (or a combination of these instruments), the Company can make use of attractive financing options to acquire capital at low interest rates depending on the market situation. Through the issue of convertible or warrant-linked participation rights the interest rate can, for example, also be linked to the Company's current dividend. The generated conversion and option premiums accrue to the Company. Practice shows that some financing instruments can only be placed through the granting of option and/or conversion rights.

In principle, shareholders are to be granted a subscription right to the Bonds when warrant-linked and convertible bonds and warrant-linked and convertible participation rights are issued (Section 221 paragraph 4 in conjunction with Section 186 paragraph 1 German Stock Corporation Act (*AktG*)). The Management Board can make use of the option to issue Bonds to one or more credit institutions with the obligation to offer shareholders the Bonds in line with their subscription right (so-called indirect subscription right pursuant to Section 186 paragraph 5 German Stock Corporation Act (*AktG*)). This is not a limitation of the subscription rights of shareholders. Shareholders are ultimately granted the same subscription rights as with a direct subscription. For technical settlement-related reasons only, one or several credit institutions are involved in the transaction.

- (i) However, the Management Board shall be able to exclude subscription rights for fractional amounts with the consent of the Supervisory Board. The aim of this exclusion of subscription rights is to simplify the process of issuing new shares with general shareholders' subscription rights, as this makes a technically feasible subscription ratio possible. The fractional amount is normally low for each shareholder, therefore the potential dilutive effect is likewise considered to be low. On the other hand, the cost of issu-

ing shares without such exclusion is significantly higher. The exclusion therefore serves to ensure that an issuance is practical and can be carried out more easily. The Management Board and Supervisory Board deem the potential exclusion of subscription rights as objectively justified for these reasons and reasonable in consideration of shareholder interests.

- (ii) The Management Board shall also be authorized to exclude the subscription rights of shareholders, subject to the approval of the Supervisory Board, in order to grant bearers of conversion or option rights or holders of mandatorily convertible bonds (or holders of mandatorily convertible participation rights) a subscription right to the extent to which they would be entitled after exercising the conversion or option rights or upon fulfillment of a conversion obligation. This offers the possibility of granting the bearers of option and/or conversion rights or the holders of mandatorily convertible bonds (or the holders of mandatorily convertible participation rights) which already exist at this time a subscription right as dilution protection instead of reducing the option or conversion price. It meets the current market standards to provide Bonds with such dilution protection.
  
- (iii) Pursuant to Section 186 paragraph 3 sentence 4 German Stock Corporation Act (*AktG*) applied accordingly, the Management Board shall also be authorized, subject to the approval of the Supervisory Board, to exclude this subscription right for an issue against cash if the issue price of the Bonds is not significantly lower than their market value. This may be appropriate in order to quickly exploit favorable stock market situations and place a bond quickly and flexibly on the market at attractive conditions. Since the stock markets can be volatile, achievement of an issue result that is as advantageous as possible increasingly depends on the ability to react quickly to market developments. Favorable conditions that are as close to the market as possible can generally only be established if the Company is not tied to these for an excessively long offer period. For subscription rights issues, a not insignificant security discount is generally necessary to ensure the chances of success of the issue for the entire offer period. Although Section 186 paragraph 2 German Stock Corporation Act (*AktG*) permits publication of the subscription price (and therefore the terms and conditions of this bond for option and convertible bonds) up to the third-last day of the subscription period, in view of the volatility of the stock markets there is even then a market risk for several days that leads to security discounts in setting bond terms and conditions and therefore conditions that are not close to the market. In addition, when a subscription right is granted, an alternative placing with third parties is more difficult and/or incurs additional expense due to the

uncertainty that the rights will be exercised (subscription behavior). Finally, when granting a subscription right the Company cannot react quickly to a change in the market conditions due to the length of the subscription period, and this can lead to the Company raising capital at less favorable conditions.

The interests of the shareholders are protected because the Bonds are not issued significantly below the market value. The market value must be calculated according to recognized principles of financial mathematics. In pricing the bond, the Management Board will keep the discount on the market value as low as possible taking into account the situation on the capital market. This means that the calculated value of a subscription right will be low enough that the shareholders may not suffer any appreciable economic disadvantage due to the exclusion of the subscription right.

Setting the conditions in line with the market and therefore avoiding an appreciable value dilution can also be achieved if the Management Board carries out a bookbuilding process. In this process, investors are asked to submit purchase applications on the basis of provisional bond terms and conditions and to specify, for example, the interest rate deemed to be in line with the market and/or other economic components. After the end of the bookbuilding period, the conditions that were previously still pending, such as the interest rate, are set in accordance with supply and demand on the market on the basis of the purchase applications submitted by investors. In this way, the total value of the Bonds is set in line with the market. By using this kind of bookbuilding process, the Management Board can ensure there is no appreciable dilution of the share value as a result of the exclusion of subscription rights.

The shareholders also have the opportunity to maintain their share in the Company's share capital at virtually the same conditions through acquisition on a stock exchange. In this way, their financial interests are adequately protected. The authorization to exclude subscription rights pursuant to Section 221 paragraph 4 sentence 2 in conjunction with Section 186 paragraph 3 sentence 4 German Stock Corporation Act (*AktG*) applies only to Bonds with rights to shares that do not represent an amount of more than 10 % of the share capital, neither with respect to the date on which the authorization becomes effective nor the date on which such authorization is exercised.

This restriction shall also include treasury shares insofar as they are sold within the term of this authorization under exclusion of subscription rights in accordance with Section 71 paragraph 1 number 8 sentence 5 clause 2 in conjunction with Section 186 paragraph 3 sentence 4 German Stock Corporation Act (*AktG*). Furthermore, this re-

striction also includes shares that are issued within the term of this authorization from authorized capital under exclusion of subscription rights pursuant to Section 203 paragraph 2 sentence 2 in conjunction with Section 186 paragraph 3 sentence 4 German Stock Corporation Act (*AktG*). This inclusion is in the interests of shareholders, in order to ensure the smallest possible dilution of their shareholding.

- (iv) Bonds can also be issued against contributions in kind, provided that this is in the interests of the Company. In such cases, the Management Board is authorized, subject to the approval of the Supervisory Board, to exclude the subscription right of shareholders, provided that the value of the asset in kind is commensurate with the theoretical market value of the Bonds calculated using recognized principles of financial mathematics. This opens up the possibility of also using Bonds as acquisition currency in appropriate individual cases, for example in connection with the acquisition of companies, participations in companies or other assets. It has been shown in practice that it is frequently necessary in negotiations to provide the consideration not in cash but also, or exclusively, in another form. The possibility of offering Bonds as a consideration therefore creates an advantage in the competition for attractive acquisition objects and the necessary scope to exploit upcoming opportunities to purchase (even larger) companies, participations in companies or other assets while preserving liquidity. This can also be reasonable from the perspective of an optimal financing structure. The Management Board will check carefully in each individual case whether it will use the authorization to issue convertible or warrant-linked bonds (or participation rights) against contributions in kind under exclusion of subscription rights. It will only do this if it is in the interests of the Company and therefore its shareholders.

The proposed conditional capital is used to service the conversion or option rights issued with Bonds or meet conversion obligations into shares in the Company. The conversion or option rights and/or conversion obligations could instead also be serviced by the provision of treasury shares or shares from authorized capital or by other means of compensation.

The aforementioned authorizations for the exclusion of subscription rights are limited to an amount which may not, in sum, exceed 20 % of the share capital, neither with respect to the date on which the authorization becomes effective nor the date on which such authorization is exercised. This 20 % limit also includes treasury shares that are sold within the term of this authorization under exclusion of subscription rights and shares that have been issued during the term of this authorization from the Authorized Capital 2014 under exclusion of the subscription rights of the shareholders. To the extent that during the term of the authorization to exclude

shareholders' subscription rights described in the preceding paragraphs rights are established to subscribe to shares of Deutsche Wohnen AG in exchange for shares of GSW Immobilien AG through the entry into force of the domination agreement between Deutsche Wohnen AG and GSW Immobilien AG concluded on April 30, 2014, the number of these shares of Deutsche Wohnen AG will also be included in the above-mentioned 20 % limit. In addition, the following shares are also to be included in this 20 % limit: the shares from the conditional capital that are issued to service stock option rights, if the stock option rights are granted during the term of this authorization on the basis of the authorization under Agenda Item 16 of the General Shareholders Meeting of the Company on June 11, 2014. This restriction ensures that there is limited potential for shareholders excluded from subscription rights having their voting rights diluted. In consideration of all of these circumstances, the authorization to exclude subscription rights within the outlined limits is necessary, commensurate, appropriate and required in the interest of the Company.

If the Management Board uses any of the aforementioned authorizations to exclude subscription rights during one financial year as part of an issue of warrant-linked or convertible bonds or convertible or warrant-linked participation rights from the Conditional Capital 2014/I, it will report on this at the following General Shareholders Meeting.

**3. Report of the Management Board on Agenda Item 14 (Passing of a resolution concerning the authorization to acquire and use own shares, including authorization to retire treasury shares acquired and reduce capital)**

In accordance with Section 71 paragraph 1 number 8 sentence 5 in conjunction with Section 186 paragraph 4 sentence 2 German Stock Corporation Act (*AktG*), the Management Board provides the following report of the reasons for the authorization to exclude shareholders' subscription rights when selling treasury shares acquired concerning Agenda Item 14 of the agenda of the General Shareholders Meeting:

Regarding Agenda Item 14, the Management Board and Supervisory Board propose authorizing the Company to acquire the Company's own shares before June 10, 2019 to the extent of up to 10 % of the share capital at the time the resolution is passed by the General Shareholders Meeting or the authorization is used, where this is lower. This authorization aims to make it possible to buy back shares and use the shares acquired. Assuming the share capital on the day of the General Shareholders Meeting is unchanged from the day the 2013 financial statements were issued, the Company would be able to acquire a maximum of 28,621,673 own shares. It will be possible for own shares to be acquired by the Company itself, dependent enterprises or enter-

prises in which the Company has a majority shareholding (Group companies) or by third parties acting for the account of the Company or Group companies.

Own shares may be acquired on the stock exchange or by a public bid. All acquisitions must comply with the principle of the equal treatment of shareholders as specified in Section 53a German Stock Corporation Act (*AktG*). The proposed acquisition via the stock exchange or by public bid complies with this obligation. If the number of shares offered in a public bid exceeds the intended acquisition volume, acquisitions shall be proportionate to the shares offered by each shareholder. However, priority may be given to smaller numbers of up to 100 shares, regardless of the number of shares offered by a shareholder. Where a shareholder offers to sell shares to the Company at a fixed price that is above the purchase price set by the Company, these will not be taken into account.

- (i) The proposed authorization allows treasury shares acquired to be retired or re-sold via the stock market or by a public offering to all shareholders without any further resolution by the General Shareholders Meeting. Where treasury shares are retired this generally results in the Company's share capital being reduced. However, the Management Board is also authorized to retire treasury shares without reducing the share capital, in accordance with Section 237 paragraph 3 number 3 German Stock Corporation Act (*AktG*). This would result in the remaining shares having a proportionally larger interest in the share capital in accordance with Section 8 paragraph 3 German Stock Corporation Act (*AktG*) (arithmetic nominal value). Both methods of disposal mentioned comply with the principle of equal treatment of shareholders required in company law.
- (ii) Agenda Item 16 will see the General Shareholders Meeting vote on an authorization to issue stock options to members of the Management Board of Deutsche Wohnen AG and selected executives of Deutsche Wohnen AG and affiliates in order to introduce a stock options program ("**AOP 2014**"). AOP 2014 seeks to provide a focused incentive to program participants and shall also encourage their loyalty to Deutsche Wohnen Group. During the term of the program up to 12,879,752 stock options on up to 12,879,752 non-par value bearer shares in the Company will be granted to program participants. The intention is that the Company should be able to use treasury shares to service stock options in issue, in addition to shares from Conditional Capital 2014/III being submitted for approval under Agenda Item 16 and from Authorized Capital 2014 being submitted for approval under Agenda Item 8. This authorization is limited to a proportionate amount of 5 % of the share capital at the time the resolution is passed or the authorization is used, where this is lower. Transferring treasury shares instead of using conditional or authorized capital that may be available can make good business sense, as it

avoids the cost and effort and associated dilution effect involved with a capital increase and the admission of new shares. It is therefore in the interests of the Company and its shareholders to exclude subscription rights.

- (iii) In addition, subject to the approval of the Supervisory Board, it will be possible for the Management Board to offer and transfer treasury shares as consideration as part of mergers or when acquiring companies, branches, divisions or participations. The authorization proposed seeks to put Deutsche Wohnen AG in a stronger position when competing for interesting acquisition objects and to allow it to react quickly and flexibly to acquisition opportunities that arise without harming liquidity. The proposed exclusion of shareholders' subscription rights takes account of this. The decision whether to use treasury shares or shares from an authorized capital in each individual case is taken by the Management Board, which is guided solely by the interests of the shareholders and the Company. The Management Board will ensure that shareholders' interests are protected when setting the exchange ratio. The Management Board will take account of the stock market price of Deutsche Wohnen shares, but the intention is not to have an automatic link to a stock market price, mainly so that what has been achieved in negotiations cannot be put at risk as a result of fluctuations in the stock market price.
- (iv) The intention is that the treasury shares acquired can also, subject to the approval of the Supervisory Board, be sold for cash to third parties under exclusion of shareholders' subscription rights, provided the price per share is not significantly lower than the stock exchange price at the time of sale. This authorization makes use of the option for simplified exclusion of subscription rights permitted in Section 71 paragraph 1 number 8 German Stock Corporation Act (*AktG*) in corresponding application of Section 186 paragraph 3 sentence 4 German Stock Corporation Act (*AktG*). This will allow the Management Board to seize favorable market opportunities quickly and flexibly and to obtain the best possible re-sale price by fixing the price close to the market, regularly leading to a strengthening of equity or opening up to a new shareholder base. The authorization is subject to the condition that shares issued under exclusion of subscription rights may not in total exceed 10 % of the share capital, neither at the time the resolution is passed nor when the authorization is used. This limit includes shares issued from authorized capital under exclusion of subscription rights in accordance with Section 186 paragraph 3 sentence 4 German Stock Corporation Act (*AktG*) during the term of the authorization to re-sell. It also includes shares issued to service convertible or warrant-linked bonds and convertible or warrant-linked participation rights to the extent these bonds were issued up to that time during the term of this authorization under Section



186 paragraph 3 sentence 4 German Stock Corporation Act (*AktG*) applied accordingly. This ensures appropriate protection of shareholders' ownership and voting rights when treasury shares are sold. Shareholders have the option of maintaining their ownership interest on comparable terms by purchasing shares in the market.

- (v) The Company will also be able to use treasury shares to service obligations or options to purchase Deutsche Wohnen shares from or in connection with convertible or warrant-linked bonds issued by the Company or one of its subsidiaries. For this purpose shareholders' subscription rights must be excluded. When treasury shares are sold in a public offering to all shareholders, the same applies to the ability to grant creditors of such instruments the same right to subscribe to shares as they would have enjoyed if conversion or option rights had already been exercised (dilution protection). This authorization too is subject to the condition that shares issued under the exclusion of subscription rights may not in total exceed 10 % of the share capital, neither at the time the resolution is passed nor when the authorization is used. This limit includes shares issued from authorized capital under the exclusion of subscription rights in accordance with Section 186 paragraph 3 sentence 4 German Stock Corporation Act (*AktG*) during the term of the authorization to re-sell. It also includes shares issued to service convertible or warrant-linked bonds or convertible or warrant-linked participation rights to the extent these bonds are issued up to that time during the term of this authorization under 186 paragraph 3 sentence 4 German Stock Corporation Act (*AktG*) applied accordingly.
- (vi) Under the AOP 2014 submitted to the General Shareholders Meeting for approval under Agenda Item 16, in the event that stock options granted to members of the Company's Management Board are to be serviced, the Supervisory Board will decide whether treasury shares are to be provided under this authorization. The intention is that the Company should be able to use treasury shares to service stock options granted to members of the Company's Management Board as well as shares from Conditional Capital 2014/III, which is also being submitted for approval under Agenda Item 16. This authorization is limited to a proportionate amount of 5 % of the share capital at the time the resolution is passed by the General Shareholders Meeting or the authorization used, where this is lower. Transferring treasury shares instead of using conditional or authorized capital that may be available can make good business sense, as it avoids the cost and effort and associated dilution effect involved with a capital increase and the admission of new shares. It is therefore in the interests of the Company and its shareholders to exclude subscription rights.

- (vii) The Management Board compensation system submitted to the General Shareholders Meeting for approval under Agenda Item 7 gives the Supervisory Board the ability to grant the Management Board equivalent rights to purchase shares in the Company in other ways than via stock options under AOP 2014. The intention is that these alternative purchase rights will be serviced by granting treasury shares. Therefore, also to this extent, shareholders' subscription rights have to be excluded. For these alternative purchase rights too, by potentially granting Management Board members equity-based instruments part of the compensation can be deferred, thus increasing loyalty to the Company by allowing the Management Board to share in the sustainable increase in the value of the Company. Variable components of compensation can also be an incentive to manage the Company in a sustainable manner for the long term. For the purchase rights granted by the Supervisory Board instead of AOP 2014 the minimum holding period is four years. As these shares can only be sold after the end of the holding period, members of the Management Board are exposed to both the positive and the negative performance of the stock price throughout the four year holding period. The members of the Management Board may therefore experience both a bonus and a malus effect. The same applies to the extent stock promises with a holding period are promised or transferred to members of the Management Board as part of their equity-based compensation. These arrangements respect both the objectives of the Act on the Appropriateness of Management Board Compensation (*VorstAG*) and the requirements of the German Corporate Governance Code. The details of the compensation of members of the Management Board are set by the Supervisory Board. These include the arrangements for the vesting of stock promised to a member of the Management Board in place of part of the variable compensation (bonus) due, as well as arrangements for the treatment of stock promises in special cases such as retirement, professional disability or death where, for example, a cash settlement may be due on the day of departure. The decision on the respective arrangements and type of service is taken by the Supervisory Board in respect of the shares applied for Management Board remuneration and by the Management Board in respect of the remaining shares. In doing so these bodies are guided solely by the interests of the shareholders and the Company.

The authorizations under ii) to vii) above to exclude subscription rights are restricted to an amount that does not, in total, exceed 20 % of the share capital, neither at the time the General Shareholders Meeting grants the authorizations nor when they are used. Included in this limit are those share issued to service convertible or warrant-linked bonds and/or convertible or warrant-linked participation (or a combination of these instruments), provided the bonds or participation rights are issued using the authorization in Agenda Item 9 of the General Shareholders

Meeting of June 11, 2014 under the exclusion of shareholders' subscription rights, as well as those shares issued using the authorization in Agenda Item 8 of the General Shareholders Meeting of June 11, 2014 under the exclusion of shareholders' subscription rights during the term of that authorization. To the extent that during the term of the authorization to exclude shareholders' subscription rights described under (ii) to (vii) above rights are established to subscribe to shares of Deutsche Wohnen AG in exchange for shares of GSW Immobilien AG through the entry into force of the domination agreement between Deutsche Wohnen AG and GSW Immobilien AG concluded on April 30, 2014, the number of these shares of Deutsche Wohnen AG will also be included in the above-mentioned 20 % limit. In addition, the following shares are also to be included in this 20 % limit: the shares from the conditional capital that are issued to service stock option rights, if the stock option rights are granted during the term of this authorization on the basis of the authorization under Agenda Item 16 of the General Shareholders Meeting of the Company on June 11, 2014. In addition to the cap on the acquisition of own shares at 10 % of the current share capital (equivalent to 28,621,673 shares) this means a further restriction on the ability to use treasury shares, providing additional protection for shareholders against dilution.

The authorizations under ii), vi) and vii) above are limited in total to a proportionate amount of 5 % of the share capital at the time the resolution on this authorization is passed by the General Shareholders Meeting or the authorization is used, where this is lower. Shares issued from authorized or conditional capital to employees or corporate bodies of the Company or its affiliates during the term of this authorization are included in this 5 % limit.

In accordance with Section 71 paragraph 3 sentence 1 German Stock Corporation Act (*AktG*), the Management Board will report on any use made of these authorizations at subsequent General Shareholders Meetings.

**4. Report of the Management Board on Agenda Item 16 (Passing of a resolution concerning the authorization to issue stock options to Members of the Management Board of Deutsche Wohnen AG and to selected executives of Deutsche Wohnen AG and affiliated companies, the creation of Conditional Capital 2014/III to service stock options and the corresponding amendments to the Articles of Association)**

With regard to Agenda Item 16 the Management Board and the Supervisory Board recommend authorizing the Management Board, for up to four years after the Conditional Capital 2014/III takes effect through entry in the commercial register, but at least until the end of 16 weeks after the closing of the ordinary General Shareholders Meeting 2018, to grant to Members of the Management Board of the company and selected executives of the Company and affiliated

companies up to 12,879,752 subscription rights to 12,879,752 no-par value bearer shares of the Company. Due to the assigned purpose of the new conditional capital, the shareholders are not entitled to subscription rights for the new shares if the conditional capital is used, in accordance with provisions of the German Stock Corporation Act (*AktG*). In the following, the Management Board reports on the reasons for the creation of the Conditional Capital 2014/III.

The Management Board and the Supervisory Board are in agreement that stock options at the Company and its affiliated companies will comprise part of the long-term variable compensation. They act as sustainable incentives for Members of the Management Board as well as selected executives. The introduction of the stock options program 2014 (“**AOP 2014**”) is to allow those persons who shape and implement the Company’s strategy and thus bear major responsibility for the Company’s growth to participate in the Company’s risks and opportunities. A sustainable and long-term increase in the value of the Company can be achieved only through continuous motivation management of the Company and its affiliated companies. The granting of stock options as part of the performance-based compensation ensures and encourages this motivation, boosts the eligible persons’ identification with the Company, and intensifies their loyalty to the Company.

The content of AOP 2014 is described under Agenda Item 16. Some additional details on AOP 2014 are provided below.

The feature of AOP 2014 of Deutsche Wohnen AG is that shares issued for the exercising of stock options are used as a performance-based cash bonus, which would otherwise be paid out as variable long-term cash compensation. Depending on whether the performance targets have been achieved, the persons eligible receive a specific number of shares when they exercise their subscription rights

In order to raise the incentive for increasing the long-term value of the Company in the interest of all shareholders, the proposal calls for a holding period for exercising subscription rights and the possibility of exercising the stock options over a period of three years. In accordance with Section 193 paragraph 2 number 4 German Stock Corporation Act (*AktG*), the holding period of a tranche of stock options begins with the issue day and terminates with the end of the fourth anniversary of the issue day. Stock options that have not been exercised by the end of the resulting seven-year term, or which could not be exercised, lapse without replacement or compensation.

In the interest of shareholders in the long-term growth of the Company, stock option rights may be exercised only if demanding performance targets have been achieved by the end of the hold-

ing period. Stock options can be exercised only if and to the extent the following performance targets have been achieved: Increase of the (i) “adjusted NAV per share”, (ii) “FFO (not including sales) of the share” and (iii) share price. In the view of the Management Board and Supervisory Board, these differentiated performance targets are in line with the expectations of the capital market. They take into consideration the relative performance of the Company’s shares compared to the competition in the form of German listed companies in the EPRA/NAREIT Germany Index, as well as the absolute performance of the industry-specific corporate metrics of NAV and FFO. As the Persons Eligible for Subscription have a claim on the issue of shares of the Company following the exercising of the stock options, the performance incentive also applies to an absolute increase in the Company value as reflected in the share price of Deutsche Wohnen. Subscribed shares may therefore be sold by the Persons Eligible For Subscription without the need to observe upper limits on the total value of the shares.

The issuing of annual tranches over the next four years and the specific conditions for the stock options, in particular the holding period and term as well as the blackout periods, will result in AOP 2014 being linked to the sustainable development of the Company. Via the blackout periods, during which stock options may not be exercised, periods of time during which eligible persons could typically have access to insider information are excluded for exercising options – such exercise prohibition is also mandated under capital market laws.

As the performance targets have a multi-year basis, AOP 2014 complies with legal requirements set by the German Stock Corporation Act (*AktG*) and the German Corporate Governance Code (*DCGK*) regarding variable compensation. The variable compensation component participates in positive as well as, if one or several performance targets are not met, in negative developments during the assessment period. This purpose of this is to motivate the eligible persons to direct their actions toward achieving the goal of long-growth for the Company. In accordance with Section 87 paragraph 1 sentence 3 clause 2 German Stock Corporation Act (*AktG*), the authorization also allows the Supervisory Board to partly or wholly limit the content and the size of the subscription rights granted to the Management Board if there are extraordinary, unforeseen developments.

AOP 2014 is also meant to consistently supplement the existing compensation components of the eligible persons with a variable compensation based on a multi-year basis, thereby ensuring there is an adequate, competitive overall compensation with various incentives for the Members of the Management Board and selected executives of the Company and of the affiliated companies. Thus AOP 2014 is also a key element of the compensation system that the Supervisory Board has decided and which is shown in the compensation report and under Agenda Item 7 on

the compensation of Members of the Management Board and which is proposed to the General Shareholders Meeting for approval under Agenda Item 7.

**5. Report of the Management Board on the issue of convertible bonds on the basis of the authorization of May 28, 2013, excluding the right of subscription in November 2013**

On November 22, 2013 the Company issued an unsecured, unsubordinated convertible bond maturing on November 22, 2020 with a total nominal value of EUR 250,000,000.00 (hereinafter the "Convertible Bonds 2013"). The Convertible Bonds 2013 can be converted in up to 16,075,714 new bearer shares with no-par value of Deutsche Wohnen AG.

The Convertible Bonds 2013 were issued at 100 % of their nominal value. The bondholders have the right to request early repayment of the Convertible Bonds 2013 five years after the issue date at 100 % of the nominal value, plus accrued interest. The Company shall have the right to call the Convertible Bonds 2013 for repayment beginning four years after the issue date, in accordance with the bond conditions, if the price of the bearer shares of Deutsche Wohnen AG over a specific period of time is at least 130 % of the conversion price. As part of the accelerated bookbuilding process the annual coupon was set at 0.5 % and the initial conversion premium set at 30.0 % above the reference price of EUR 14.4260. Thus the initial convertible price is EUR 18.7538. The reference price was based on the volume-weighted average price of the shares of Deutsche Wohnen AG in XETRA trading from the start of the placement until the establishment of the final price of the Convertible Bonds 2013 on November 19, 2013. Thus the issuing of the Convertible Bonds 2013 was in line with the then current market conditions.

The subscription rights of shareholders of Deutsche Wohnen AG to purchase the Convertible Bonds 2013 were excluded, with the approval of the Supervisory Board. The Management Board and Supervisory Board were convinced that the conditions for the exclusion of subscription rights were met, as the Convertible Bonds 2013 were issued under conditions that were not significantly lower than the price of Deutsche Wohnen shares. Financial instruments such as the Convertible Bonds 2013 are usually purchased by institutional investors. The private placement solely for institutional investors outside the United States, Canada, Australia and Japan was able to guarantee the required transaction security and quick settlement. By issuing the Convertible Bonds 2013 the Company was able to use the good market environment in particular to finance, with most of the net proceeds from the issue, the quick and comprehensive acquisition of about 98.96 % of the convertible bonds that GSW Immobilien AG issued on November 20, 2012 at a total nominal value of EUR 182,900,000.00. The remaining net proceeds from the issue of the Convertible Bonds 2013 serve to finance the Company's future growth and also helped to fur-

ther diversify the sources of financing and the investor base. Thus issuing Convertible Bonds 2013 under the exclusion of subscription rights was also in the interest of the shareholders.

**6. Report of the Management Board on the utilization of authorized capital under the authorization of December 4, 2012 under the exclusion of subscription rights in April 2013**

As reported in the General Shareholders Meeting of the Company on May 28, 2013, the Management Board, with the consent of the Supervisory Board, utilized the authorization granted to the Management Board by the Extraordinary Shareholders Meeting in December 2012 to increase the share capital by up to EUR 73,071,429.00 in the amount of EUR 8,150,000.00 on April 26, 2013. This capital increase by way of contribution in kind, which was carried out in connection with the purchase of a residential real estate portfolio of around 6,900 residential units from companies attributable to the Blackstone Group L.P. was entered in the commercial register on June 21, 2013.

Shareholders' subscription rights were excluded in the resolution on the issue of 8,150,000 new shares against contribution in kind. The new bearer shares with no-par value and profit participation rights from January 1, 2013 were subscribed to by Larry Holdco S.à r.l. und Larry II Holdco S.à r.l., both Luxembourg companies attributable to the Blackstone Group L.P. To render the contribution, the subscribers transferred to Deutsche Wohnen AG all shares in two German holding companies, to which 94.8 % of the shares of the Luxembourg companies holding the properties of the acquired real estate portfolios had been contributed. Options agreements were made for the placement of the remaining 5.2 % of the shares with a third party to be determined by Deutsche Wohnen AG. In addition to this share-based consideration, Deutsche Wohnen AG has also paid a cash consideration for the acquisition of the portfolio in the amount of EUR 260,000,000.00.

When negotiating the transactions and prior to passing the resolution on the utilization of the authorized capital, the Management Board and the Supervisory Board conducted an in-depth examination of the appropriateness of the value of the consideration for the issue of the shares and the additional cash consideration. Hereto, the Management Board and the Supervisory Board compared the full value of the participations in the real estate companies acquired by Deutsche Wohnen AG less debt liabilities on the one hand with the full value of the cash consideration and the shares to be issued on the other hand.

The Management Board valued the portfolio to be acquired or participations to be acquired after conducting a market standard examination of economic, financial, tax and legal circumstances inspecting the properties through departments within the Group and on the basis of the exten-

sive, internal market-knowledge and experience of the Company in valuing residential real estate in the greater Berlin area. Key factors for the evaluation of the real estate portfolio were in particular the structural condition, the average actual net rent excluding service and heating charges (*Nettokaltmiete*) per square meter and the average vacancy rate.

Taking account of all portfolio-specific figures, the Management Board then used a standard valuation model for residential real estate portfolios and considered reference values based on internal market analysis and rent multipliers, net cash flow, price per square meter and expected funds from operations (FFO) and evaluated the prevailing market conditions for residential real estate at the time of the agreement with the subscribers as well as the strategic benefits. In Deutsche Wohnen's view, the portfolio had good potential for rent increases as the rents in the acquired pre-fabricated buildings (*Plattenbauten*) were below the market rate. In light of the market situation at the time of the passing of the resolution, the portfolio also offered attractive opportunities for the sale of residential apartments (*Wohnungseigentum*) and allowed Deutsche Wohnen to strategically position itself in attractive eastern districts of Berlin a further diversification of its real estate portfolio within Berlin. Deutsche Wohnen also saw potential for improvements by including the portfolios in the management of the Deutsche Wohnen Group. This assessment is also supported by the contributions in kind report (*Sacheinlageprüfung*) by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, which was appointed by a court as contributions in kind auditor.

The final setting of the cash consideration at the time of the passing of the resolution was dependent on the amount which the financing banks, at the time still financing the portfolio, needed to determine as settlement amount for their existing loans which Deutsche Wohnen had to refinance; it also had to be adjusted by any distributions to the contributing vendor companies from January 1, 2013 to the closing date on the one hand and the interest on the purchase price payable for this period on the other. The Management Board and the Supervisory Board thus took into account different possible scenarios when carrying out their assessment.

To determine the value of the shares to be issued, the Management Board and the Supervisory Board considered in particular the XETRA closing market price of Deutsche Wohnen shares on the trading date prior to the signing of the agreement, which was EUR 13.41, and the weighted XETRA average market price during the three months prior to the date of the signing of the agreement, which was EUR 14.1208, taking into account the features of the new shares to be issued, i.e. with a dividend entitlement not before January 1, 2013 and tradability only later on.

Deutsche Wohnen made the issue of a compensation for potential changes in stock market price between the date the agreement was signed and the actual issue of the new shares at the time –



which had still to be determined at the time of the passing of the resolution – of the entry of the implementation of the capital increase one of the items on the agenda in the negotiations with the sellers of the portfolio. However, a one-sided hedging on the part of Deutsche Wohnen AG could not be accomplished on the conditions otherwise agreed in the negotiations.

The exclusion of subscription rights carried out was in the interests of the Company and also necessary to realize the purchase of an attractive real estate portfolio in a strategic core and growth market for Deutsche Wohnen.

Blackstone Group L.P. and the companies attributable to its Group offered the real estate portfolio on the market for purchase in a structured tender process. By combining cash and share components (i) a more attractive purchase price overall could be achieved in the negotiations than under a pure cash payment of the purchase price and (ii) the Company, through the use of its shares as an acquisition currency, could position itself as the preferred bidder for the sellers as it could quickly and with legal certainty provide a significant share of the equity needed for the transaction. Furthermore, this allowed for an appropriate financing structure.

### **III. Additional information on convening the General Shareholders Meeting**

#### **1. Total number of shares and voting rights at the time the General Shareholders Meeting is convened**

The share capital of the Company at the time the General Shareholders Meeting is convened is EUR 286,216,731.00 and is divided in 286,216,731 no-par value shares. Each no-par value share carries one vote at the General Shareholders Meeting. The total number of shares with participation and voting rights at the time of convening the General Shareholders Meeting amounts to 286,216,731 shares. The Company does not hold treasury shares as of the convening of the General Shareholders Meeting.

#### **2. Prerequisites for attending the General Shareholders Meeting and exercising voting rights**

##### **a) Attendance by holders of bearer shares**

Only those holders of bearer shares who have registered to attend on time are entitled to attend the General Shareholders Meeting and exercise their voting rights. The registration for attendance must reach the Company by Wednesday, June 4, 2014 at midnight central European summer time (CEST) at the following address

Deutsche Wohnen AG  
c/o Computershare Operations Center

80249 Munich

Fax: +49 (0) 89 30903 – 74675

E-mail: [anmeldestelle@computershare.de](mailto:anmeldestelle@computershare.de)

and the shareholders must verify to the Company that by May 21, 2014 at midnight central European summer time (record date for proof of share ownership) they were shareholders of the Company. A special proof of ownership issued by the custodian bank is sufficient proof.

The proof of share ownership must also reach the Company at the address mentioned above and by the date of June 4, 2014 at midnight CEST. The registration and the proof of ownership must be in writing (as per Section 126b German Civil Code (*BGB*)) and must be either in German or in English.

Additional information on registration can be found on the Company's website at <http://www.deutsche-wohnen.com> (under "Investor Relations" > "Annual General Meetings" > "Ordinary Annual General Meeting 11 June 2014").

Importance of the date of record for proof of share ownership:

In relations with the Company, only those who have provided proof of their shareholdings by the record date are deemed to be shareholders. The right to attend and the scope of the voting right shall be based only on the shareholding as of the date of record for proof of share ownership. The deadline for furnishing proof does not restrict the disposability of shareholdings. Even in the case of a complete or partial sale of the shareholding after the date of record, only the shareholding on the date of record is relevant for attendance and the scope of voting rights. This means that disposals of shares after the date of record shall have no influence on the right to attend and the scope of voting rights. The same applies to purchases of shares and increases in share ownership after the record date for proof of share ownership. Persons who do not hold shares at the record date and who become shareholders thereafter are only eligible to attend the meeting or vote, insofar as they are authorized by a proxy to represent them or to exercise their rights on their behalf.

**b) Attendance by registered shareholders**

Only those holders of registered shares who are entered in the share register and who have registered to attend on time are entitled to attend the General Shareholders Meeting and exercise their voting rights. The registration for attendance must reach the Company

by Wednesday, June 4, 2014 at midnight central European summer time at the following address

Deutsche Wohnen AG  
c/o Computershare Operations Center  
80249 Munich  
Fax: +49 (0) 89 30903 – 74675  
E-mail: [anmeldestelle@computershare.de](mailto:anmeldestelle@computershare.de)

The registration must be in writing (as per Section 126b German Commercial Code (*BGB*)) and must be either in German or in English.

In relations with the Company, under Section 67 paragraph 2 sentence 1 German Stock Corporation Act (*AktG*) only those are deemed to be shareholders who are registered as such in the share register. As a result, the status of the entries in the share register on the day of the General Shareholders Meeting is relevant for determining the right to attend as well as the number of votes the authorized participant is entitled to. Cancellations, new registrations and changes in the register of shareholders will not take place on the date of the General Shareholders Meeting and during the last six days (Section 9 paragraph 5 sentence 2 of the Articles of Incorporation). This means that in the period from Thursday, June 5, 2014 through Wednesday, June 11, 2014, no changes may take place in the share register. Therefore, the entry status in the share register on the day of the General Shareholders Meeting will correspond to the status after the last change of registration on June 4, 2014 a midnight central European summer time (technical record date).

Credit institutions, shareholders associations and – as per Section 135 paragraph 8 or Section 135 paragraph 10 German Stock Corporation Act (*AktG*) in conjunction with Section 125 paragraph 5 German Stock Corporation Act (*AktG*) – equivalent persons, institutes, companies or associations can exercise the voting rights for registered shares not owned by them, but for which they are registered as owner in the share register, only on the basis of an authorization. More details on this authorization can be found in Section 135 German Stock Corporation Act (*AktG*).

Additional information on registration can be found on the registration and proxy form sent to shareholders and on the Company's website at <http://www.deutsche-wohnen.com> (under “Investor Relations” > “Annual General Meetings” > “Ordinary Annual General Meeting 11 June 2014”).

Registration for the General Shareholders Meeting does not mean that trading in the shares is blocked. Subsequent to registration the shareholders may still dispose of their shares. But because only persons who are registered in the share register as shareholders on the day of the General Shareholders Meeting are considered to be shareholders in relations with the Company (see above), a disposal can have an impact on a shareholder's right to attend and voting rights.

### **3. Procedure for voting by proxy**

Shareholders can also have their voting right exercised in the General Shareholders Meeting by a proxy, e.g. through a credit institution, a shareholders association or another person of their choice. Even if a shareholder is represented by a proxy the shareholder's attendance must be registered on time; in addition, holders of bearer shares must provide proof of their ownership on time; registered shareholders must be entered in the share register, as mentioned above.

The granting of proxies, their revocation and proof of authorization vis-à-vis the Company shall be submitted in writing, unless credit institutions, shareholders associations or – as per Section 135 paragraph 8, or Section 135 paragraph 10 in conjunction with Section 125 paragraph 5 German Stock Corporation Act (*AktG*) – equivalent persons, institutes, companies or associations are granted proxy voting rights.

If credit institutions, shareholders associations or – as per Section 135 paragraph 8, or Section 135 paragraph 10 in conjunction with Section 125 paragraph 5 German Stock Corporation Act (*AktG*) – equivalent persons, institutes, companies or associations are granted voting rights, the text form requirement may be waived, but the proxy right shall be kept by the proxy in a verifiable form. In addition, it must be complete and may only contain declarations relating to the exercise of the voting rights. We therefore ask shareholders who want to give proxy rights to credit institutions, shareholders associations or – as per Section 135 paragraph 8, or Section 135 paragraph 10 in conjunction with Section 125 paragraph 5 German Stock Corporation Act (*AktG*) – equivalent persons, institutes, companies or associations coming to cooperate with the intended proxy regarding the form the proxy is to take.

If the shareholder grants the power of proxy to more than one person, the Company may refuse one or several of them the power of proxy.

Shareholders who wish to authorize a proxy are requested to issue the authorization using the form provided for this by the Company. The proxy form will be provided by the Company together with the registration documents (registered shareholders), or after registration together

with the entry card (bearer and registered shareholders). In addition, a form for granting a proxy will be available for download on the Company's website at

<http://www.deutsche-wohnen.com> (under "Investor Relations" > "Annual General Meetings" > "Ordinary Annual General Meeting 11 June 2014").

Shareholders can send proof that a proxy was granted to the Company at the following e-mail address:

DWAG-HV2014@computershare.de

More information on the procedure for granting a proxy is on the Company's website at

<http://www.deutsche-wohnen.com> (under "Investor Relations" > "Annual General Meetings" > "Ordinary Annual General Meeting 11 June 2014").

Procedure for proxy voting by the Company's proxy:

In addition, the Company again offers shareholders the possibility to appoint an employee designated by the Company to be the proxy, who will vote in line with instructions. The proxies must vote according to the instructions; they cannot exercise the voting rights at their own discretion. Please note that the proxy representatives can only vote your shares on Agenda Items on which you have given voting instructions, and that they may not accept instructions on proposals of procedure prior to or during the General Shareholders Meeting. Please note that proxies appointed by the Company cannot accept instructions to utilize the right to speak or ask questions, to table motions or to object to resolutions by the General Shareholders Meeting. The granting of said proxy with instructions to the Company's proxy is possible before the General Shareholders Meeting only with the use of the proxy and instruction form that the shareholders receive together with the entry card for the General Shareholders Meeting. The form can also be downloaded from the Company's website at

<http://www.deutsche-wohnen.com> (under "Investor Relations" > "Annual General Meetings" > "Ordinary Annual General Meeting 11 June 2014").

The authorization for the Company's proxy and the issuing of instructions must be received by midnight on Tuesday, June 10, 2014 by noon CEST. They must be in writing. The granting of the proxy authorization to the proxy designated by the Company and the issuing of instructions by post, fax or e-mail must be sent to the following address:

Deutsche Wohnen AG  
c/o Computershare Operations Center  
80249 Munich  
Fax: +49 (0) 89 30903 – 74675  
E-mail: anmeldestelle@computershare.de

#### **4. Other shareholder rights**

**a) Requests by shareholders to add an item to the agenda, in accordance with Section 122 paragraph 2 German Stock Corporation Act (*AktG*)**

Shareholders whose holdings equal one twentieth of the share capital or that are equal to a proportionate amount of EUR 500,000.00 (equal to 500,000 shares) may request that items are included in the agenda and published. Each new Agenda Item must include a reason for it or a draft resolution.

Requests to add an item to the agenda are to be made to the Management Board in writing and must be received by the Company at least 30 days before the General Shareholders Meeting, not including the date of receipt and the date of the general meeting. Thus these requests must be received by midnight on Sunday, May 11, 2014 central European summer time. Requests that do not arrive by this time will not be considered.

The affected shareholders must provide proof that they have been shareholders at least three months before the day of the General Shareholders Meeting and that they will continue to hold the shares until a decision about the request has been rendered (Section 122 paragraph 2 *AktG* in conjunction with Sections 122 paragraph 1 sentence 3, 142 paragraph 2 sentence 2 German Stock Corporation Act (*AktG*)).

Requests to add an Agenda Item should be sent to the following address:

Deutsche Wohnen AG  
Management Board  
Mr Dirk Sonnberg  
Mecklenburgische Strasse 57  
14197 Berlin

**b) Countermotions of shareholders as per Section 126 German Stock Corporation Act (*AktG*)**

Every shareholder has the right to file a countermotion against proposals made by the Management Board and/or the Supervisory Board on any item on the Agenda. Countermotions must include a reason for why they are being submitted.

Countermotions received by the Company at the address below by at least 14 days before the General Shareholders Meeting, not including the date of receipt and the date of the General Shareholders Meeting, i.e. by midnight (CEST) on Tuesday, May 27, 2014, will promptly be made available, along with the name of the shareholder, the reason and any position of the Board, on the Company's website at <http://www.deutsche-wohnen.com> (under "Investor Relations" > "Annual General Meetings" > "Ordinary Annual General Meeting 11 June 2014"); (cf. Section 126 paragraph 1 sentence 3 German Stock Corporation Act (*AktG*)).

Section 126 paragraph 2 German Stock Corporation Act (*AktG*) states cases in which a countermotion and its reasons do not have to be made available on the website. These can be found on the Company's website at <http://www.deutsche-wohnen.com> (under "Investor Relations" > "Annual General Meetings" > "Ordinary Annual General Meeting 11 June 2014"). In particular, the reasons need not be made available if their total length exceeds 5,000 characters.

Countermotions (along with the reasons for them) must be sent to the following address:

Deutsche Wohnen AG  
Investor Relations  
Mecklenburgische Strasse 57  
14197 Berlin  
Fax: + 49 (0) 30 89 786-507

E-mail: [ir@deutsche-wohnen.com](mailto:ir@deutsche-wohnen.com)

Countermotions sent to a different address will not be made available.

Countermotions are brought forward only if they are brought forward during the General Shareholders Meeting. The above does not affect the right of every shareholder to bring forward countermotions to the various Agenda Items during the General Shareholders Meeting, even without having submitted them to the Company in advance and in due time.

**c) Election proposals from shareholders as per Section 127 German Stock Corporation Act (*AktG*)**

Every shareholder has the right to present election proposals to the General Shareholders Meeting for the election of the auditor (Agenda Item 5) and the election of the Supervisory Board member (Agenda Item 6).

Election proposals of shareholders that are received by the Company at the following address at least 14 days before the General Shareholders Meeting, not including the date of receipt and the date of the General Shareholders Meeting, i.e. by midnight (CEST) on Tuesday, May 27, 2014, will be made available on the Company's website at <http://www.deutsche-wohnen.com> (under "Investor Relations" > "Annual General Meetings" > "Ordinary Annual General Meeting 11 June 2014"). Election proposals from shareholders do not need to be made available if they do not include the name, profession and place of residence of the proposed person. Election proposals do not have to include reasons.

Section 127 paragraph 1 German Stock Corporation Act (*AktG*) in conjunction with Sections 126 paragraph 2, 127 paragraph 3 in conjunction with Sections 124 paragraph 3 sentence 4, 125 paragraph 1 sentence 5 German Stock Corporation Act (*AktG*) states additional reasons why election proposals from shareholders do not have to be made available on the website. These reasons can be found on the Company's website at <http://www.deutsche-wohnen.com> (under "Investor Relations" > "Annual General Meetings" > "Ordinary Annual General Meeting 11 June 2014").

Election recommendations must be sent to the following address:

Deutsche Wohnen AG  
Investor Relations  
Mecklenburgische Strasse 57  
14197 Berlin  
Fax: + 49 (0) 30 89 786-507  
E-mail: [ir@deutsche-wohnen.com](mailto:ir@deutsche-wohnen.com)

Election recommendations sent to a different address will not be made available.

**d) Right of shareholders to information**

In accordance with Section 131 paragraph 1 German Stock Corporation Act (*AktG*), the Management Board must give information on the Company's matters upon any share-



holder's request at the General Shareholders Meeting, insofar as the information is necessary to permit a proper evaluation of the relevant item on the agenda. The obligation to provide information also extends to the Company's legal and business relations to affiliates and to the state of the Group and the consolidated companies.

The Management Board may refuse to provide information under the conditions set forth in Section 131 paragraph 3 German Stock Corporation Act (*AktG*). Additional information on the conditions under which the Management Board may make such a refusal can be found on the Company's website at <http://www.deutsche-wohnen.com> (under "Investor Relations" > "Annual General Meetings" > "Ordinary Annual General Meeting 11 June 2014").

In addition, Section 293g paragraph 3 German Stock Corporation Act (*AktG*) states that each shareholder will upon request be provided with information on the Agenda Items 10, 11, 12 and 13 by the Management Board during the General Shareholders Meeting about all matters of the other party to the agreement which are essential in the context of the conclusion of the agreement.

**5. Publications on the website / Availability for viewing at the offices / Additional information as per Section 124a German Stock Corporation Act (*AktG*)**

Once the General Shareholders Meeting has been convened in particular the following documents will be available on the Company's website at <http://www.deutschewohnen.com> (under "Investor Relations" > "Annual General Meetings" > "Ordinary Annual General Meeting 11 June 2014") and for viewing by shareholders at the offices of Deutsche Wohnen AG in Frankfurt am Main (Pfaffenwiese 300, 65929 Frankfurt am Main) and in Berlin (Mecklenburgische Strasse 57, 14197 Berlin):

Regarding Agenda Items 1 and 2:

- The approved annual financial statements and the Supervisory Board-approved consolidated financial statements as of December 31, 2013, the management reports for the Company and the Group, including the Supervisory Board Report for the 2013 financial year, as well as the Explanatory Management Board Report on the disclosure pursuant to Section 289 paragraphs 4 and 5, and Section 315 paragraph 4 German Commercial Code (*HGB*) as of December 31, 2013.

Regarding Agenda Item 8:

- The report of the Management Board pursuant to Section 203 paragraph 2 sentence 2 in conjunction with Section 186 paragraph 4 sentence 2 German Stock Corporation Act (*AktG*).

Regarding Agenda Item 9:

- The report of the Management Board pursuant to Section 221 paragraph 4 sentence 2 in conjunction with Section 186 paragraph 4 sentence 2 German Stock Corporation Act (*AktG*).

Regarding Agenda Item 10:

- the domination agreement between Deutsche Wohnen AG and GSW Immobilien AG dated April 30, 2014,
- the annual financial statements and consolidated financial statements of Deutsche Wohnen AG for the financial years 2011, 2012 and 2013 as well as the management reports of Deutsche Wohnen AG and the Group management reports for the financial years 2011, 2012 and 2013,
- the annual financial statements and consolidated financial statements of GSW Immobilien AG for the financial years 2011, 2012 and 2013 as well as the management reports of GSW Immobilien AG and the Group management reports for the financial years 2011, 2012 and 2013,
- the joint report under Section 293a German Stock Corporation Act (*AktG*) issued by the management board of Deutsche Wohnen AG and the management board of GSW Immobilien AG (along with the expert opinion of Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft to determine the enterprise value of Deutsche Wohnen AG, Frankfurt am Main, and of GSW Immobilien AG, Berlin, as of June 18, 2014 attached in the Appendix), and
- the report prepared by the court appointed auditor Mazars GmbH Wirtschaftsprüfungsgesellschaft under Section 293e German Stock Corporation Act (*AktG*) on the review of the domination agreement between Deutsche Wohnen AG and GSW Immobilien AG.

Regarding Agenda Item 11:

- the draft profit and loss transfer agreement between Deutsche Wohnen AG and Deutsche Wohnen Management GmbH dated April 20, 2014,
- the annual financial statements and consolidated financial statements of Deutsche Wohnen AG for the financial years 2011, 2012 and 2013 as well as the management reports of Deutsche Wohnen AG and the Group management reports for the financial years 2011, 2012 and 2013,
- the annual financial statements of Deutsche Wohnen Management GmbH for the financial years 2011, 2012 and 2013, and
- the joint report under Section 293a German Stock Corporation Act (*AktG*) issued by the Management Board of Deutsche Wohnen AG and the managing directors of Deutsche Wohnen Management GmbH.

Regarding Agenda Item 12:

- the draft profit and loss transfer agreement between Deutsche Wohnen AG and Deutsche Wohnen Immobilien Management GmbH dated April 20, 2014,
- the annual financial statements and consolidated financial statements of Deutsche Wohnen AG for the financial years 2011, 2012 and 2013 as well as the management reports of Deutsche Wohnen AG and the Group management reports for the financial years 2011, 2012 and 2013,
- the annual financial statements of Deutsche Wohnen Immobilien Management GmbH for the financial years 2011, 2012 and 2013, and
- the joint report under Section 293a German Stock Corporation Act (*AktG*) issued by the Management Board of Deutsche Wohnen AG and the managing directors of Deutsche Wohnen Immobilien Management GmbH.

Regarding Agenda Item 13:

- the draft profit and loss transfer agreement between Deutsche Wohnen AG and Deutsche Wohnen Constructions and Facilities GmbH dated April 20, 2014,
- the annual financial statements and consolidated financial statements of Deutsche Wohnen AG for the financial years 2011, 2012 and 2013 as well as the manage-

ment reports of Deutsche Wohnen AG and the Group management reports for the financial years 2011, 2012 and 2013,

- the annual financial statements of Deutsche Wohnen Constructions and Facilities GmbH for the financial years 2011, 2012 and 2013, and
- the joint report under Section 293a German Stock Corporation Act (*AktG*) issued by the Management Board of Deutsche Wohnen AG and the managing directors of Deutsche Wohnen Constructions and Facilities GmbH.

Regarding Agenda Item 14:

- The report of the Management Board pursuant to Section 71 paragraph 1 number 8 sentence 5 in conjunction with Section 186 paragraph 4 sentence 2 German Stock Corporation Act (*AktG*).

Regarding Agenda Item 16:

- The report of the Management Board on the stock options program.

In addition:

- Report of the Management Board on the issue of convertible bonds on the basis of the authorization of May 28, 2013, excluding the right of subscription in November 2013.
- Report of the Management Board on the utilization of authorized capital under the authorization of December 4, 2012 under the exclusion of subscription rights in April 2013.

These documents will also be available during the General Shareholders Meeting on Wednesday, June 11, 2014. The legal requirement is met by means of the availability on the Company's website. In addition, shareholders can request one time that the documents be sent promptly by post free of charge.

Any countermotions, election proposals and requests to add items to the agenda made by shareholders will also be made available on the website, provided they reach the Company by the deadlines noted above and they are required to be published.

This invitation was furnished to such suitable media for publication as may be expected to disseminate the information throughout the European Union.

Frankfurt, April 2014

Deutsche Wohnen AG

The Management Board