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 extensive, 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 s 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 certainly provide a significant share of the equity needed for the transaction. Furthermore, this allowed for an appropriate financing structure.