

Report of the Management Board on the issuance of convertible bonds based on the authorization of June 11, 2014, with the exclusion of subscription rights in September 2014

On September 8, 2014, the Company issued an unsecured, unsubordinated convertible bond with a term until September 8, 2021 and a total nominal value of EUR 400,000,000.00 (hereinafter referred to as the “**Convertible Bonds 2014**”). The Convertible Bonds 2014 can be converted into up to 25,000,000 new no-par value bearer shares of Deutsche Wohnen AG.

The Convertible Bonds 2014 were issued at 100% of their nominal value. The bond creditors have the right to request early repayment of the Convertible Bonds 2014 five years from the issue date, at 100% of the nominal value, plus accrued interest. The Company is authorized to call the Convertible Bonds 2014 for repayment from four years from the issue date, in accordance with the bond terms and conditions, if the market price of the bearer shares of Deutsche Wohnen AG amounts to at least 130% of the conversion price over a certain period of time. As part of an accelerated bookbuilding process the annual coupon was set at 0.875% and the initial conversion premium was set at 27.5% above the reference price of EUR 17.3346. The initial conversion price thus amounts to EUR 22.1016. The reference price corresponded to the volume-weighted average price of the shares of Deutsche Wohnen AG in XETRA trading prior to the beginning of the placement up until the final price fixing of the Convertible Bonds 2014 on September 3, 2014. The issue of the Convertible Bonds 2014 thus conformed to the prevailing market conditions at the time of issue.

The right of the shareholders of Deutsche Wohnen AG to subscribe to the Convertible Bonds 2014 was excluded with the consent of the Supervisory Board. The Management Board and Supervisory Board believe that the exclusion of subscription rights was justified, as the Convertible Bonds 2014 were issued at conditions that were not significantly lower than the market price of the Deutsche Wohnen share. Financial instruments such as the Convertible Bonds 2014 are typically 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. The issue of the Convertible Bonds 2014 enabled the Company to use the favorable market conditions in particular to pay one-time costs in the amount of EUR 100 million as part of a refinancing measure (including prepayment penalties and costs for the unwinding of interest-rate swaps, entered into in connection with bank loans). In addition, proceeds amounting to around EUR 150 million were used to repay part of debts and bank loans. The remaining proceeds of EUR 150 million were used for general business purposes. The issue of the Convertible Bonds 2014 with the exclusion of subscription rights was therefore also in the interest of shareholders.