» ANNUAL GENERAL MEETING 2017

Deutsche Wohnen AG
Frankfurt/Main

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Annual General Meeting of Deutsche Wohnen AG,
on Friday, 2 June 2017, at 10:00 a.m. (CEST)

at Kap Europa, Osloer Straße 5, 60327 Frankfurt/Main

Report of the Management Board on the issuance of convertible bonds based on the authorization of June 12, 2015, with the exclusion of subscription rights on February 27, 2017

The Management Board was authorized by resolution of the Annual General Meeting on June 12, 2015, with the consent of the Supervisory Board, to issue one or multiple convertible bearer or registered bonds, bonds with warrants, participation rights and/or participating bonds (or a combination of these instruments) with a nominal value of up to EUR 1,500,000,000 with or without a maturity date and to grant the bond/participation rights holders conversion and option rights to shares of the Company up to a proportionate amount of the share capital of up to EUR 50,000,000 in accordance with the underlying documentation of the convertible bonds, bonds with warrants and participation rights (hereafter "**Authorization 2015**") until June 11, 2020. For issuing these bonds conditional capital 2015 of EUR 50,000,000.00 was created (Section 4b para. 3 Articles of Association).

According to Authorization 2015, on February 27, 2017, the Company issued an unsecured, unsubordinated convertible bond with a maturity date of July 26, 2024 and a total nominal value of EUR 800,000,000.00, which is divided into 8,000 partial debentures with a nominal value of EUR 100,000 each (hereinafter referred to as the "**Convertible Bonds 2017**").

The Convertible Bonds 2017 were issued at 100% of their nominal value. The Company may terminate the Convertible Bonds 2017 as of August 17, 2022 in accordance with the underlying bond documentation 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. A return option will not be granted to the bondholders. The Convertible Bonds 2017 will bear a coupon of 0.325 %. The initial conversion price amounts to EUR 48,5775 and therefore surmounts by 53.0% the reference price of EUR 31.75 for a Deutsche Wohnen AG share. 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 2017 February 21, 2017.

The right of the shareholders of Deutsche Wohnen AG to subscribe to the Convertible Bonds 2017 was excluded with the consent of the Supervisory Board. The Company exercised its right to the exclusion of subscription rights as provided in Sections 221 para. 4 sentence 2, 186 para. 3 sentence 4 AktG and as authorized by the Annual Meeting on June 12, 2015. The Management Board and Supervisory Board believe that the exclusion of subscription rights was justified.

The issued Convertible Bonds 2017 initially were convertible into 16.5 million new or existing bearer shares of Deutsche Wohnen AG. This corresponds to 4.9% of the share capital at the effective as well as the execution date of the authorization. The restriction of volume of not more than 10% of the share capital for shares granting a conversion rights to the shareholders of Convertible Bonds 2017 which was provided for in the authorization of the annual meeting on June 12, 2015 was thus, also under consideration of the parallel exploitation of the Authorized Capital 2015 in February 2017, fulfilled.

Also the authorization requirements of the annual meeting of June 12, 2015 concerning the determination of the face value of the Convertible Bonds 2015 were fulfilled. The face value of the Convertible Bonds 2017 with a maturity date of 7 years and 5 months corresponded to a initial conversion premium of 53% above reference price of EUR 31.75 per share of Deutsche Wohnen AG with a coupon of 0.325 % and was therefore within the accepted frame; the face value did not fall below the theoretical value of the partial debentures according to Sections 221 para. 4 sentence 2, 186 para. 3 sentence 4 AktG. Bookbuilding ensured an appropriate market price determination and with that the prevention of a watering down. Because addressing the investors as part of the bookbuilding representatively displayed market supply and demand and by this defined the theoretical value of the bonds.

The exclusion of subscription rights to the convertible bonds was necessary in order to benefit from the positive market environment situation at the time of the issue of the convertible bonds and to achieve the highest issue price through market appropriate price determination. Therefore the issue of convertible bonds under exclusion of subscription rights was also in the interest of the shareholders. Granting subscription rights (Sections 221 para. 4 sentence 2, 186 para. 1 sentence 2 AktG) however would not have allowed for short-term reactions to current changes in the markets. Financial instruments such as the Convertible Bonds 2017 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.

Additionally, the initial value must be published three days before the subscription deadline if subscription rights are granted (Sections 221 para. 4 sentence 2, 186 para. 2 sentence 2 AktG). Because of the time period between determination of the initial value and the end of the subscription deadline as well as the volatility of stock markets there is a higher risk of changes to the market- and share price as compared to an issue with exclusion of subscription rights. A successful issue with subscription rights would have made it necessary to provide for a safety discount regarding the determination of the initial value and the underlying conditions in order to compensate market risk. Ultimately this would have not lead market appropriate conditions. The returns of the issue of Convertible Bonds 2017 is primarily used to finance future acquisitions of Pegasus Pflegeheim-Portfolio announced in third quarter of 2016 as well as other smaller portfolios. As a result, the exclusion of a subscription right was in the best interest of the Company.

The interests of the shareholders were also adequately protected by fixing the issue price close to the theoretical value of the convertible bonds and by the amount of conversion rights from the Convertible Bonds 2017 when issued to approximately 4.9% of the share capital. In view of the liquid exchange trading, shareholders in principle have the opportunity to maintain their relative shareholding in the Company by means of a purchase via the stock exchange on comparable terms. Significant economic dilution of shareholders' equity was not associated with the issuance of Convertible Bonds 2017, nor as a result of the parallel use of the Authorized Capital 2015 in February 2017 as described above. Placing bonds with subscription rights did not represent a suitable alternative from the Company's viewpoint, particularly as a result of the lower proceeds from the issuance, the uncertainty of the placement opportunities as well as the time frame required.

Based on the above considerations, the exclusion of the shareholders' subscription rights, which was made in compliance with the provisions of the authorization of the Annual General Meeting on June 12, 2015, was objectively justified.