

## » ANNUAL GENERAL MEETING 2018

**Deutsche Wohnen SE**  
**Berlin**

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**Annual General Meeting of Deutsche Wohnen SE,  
on Friday, 15 June 2018, at 10:00 a.m. (CEST)**

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

**Report of the Management Board on Agenda item 9 (Resolution on the authorization to acquire the Company's own shares and to use them including the authorization to redeem shares of the Company acquired and capital reduction) and on Agenda item 10 (Resolution on an authorization to use own capital derivatives when acquiring the Company's own shares)**

The Management Board submits the following report according to Article 5 SE-Regulation in conjunction with Section 71 para. 1 No. 8 sentence 5 in connection with Section 186 para. 4 sentence 2 Stock Corporation Act (AktG) on Agenda item 9 and Agenda item 10 of the General Meeting on the grounds for the authorization to exclude subscription rights of shareholders on the sale of the Company's own shares purchased:

As to Agenda item 9, the Management Board and Supervisory Board propose that the Company be authorized to acquire by June 14, 2023 its own shares corresponding to up to 10% of the share capital existing at the time of the resolution of the General Meeting or – if lower – at the time of the exercise of the authorization. With this authorization, the possibility of repurchasing shares and the use of shares purchased is to be created. Since the resolution of the ordinary General Meeting of June 11, 2014 on the then existing authorization to acquire and to use the Company's own shares, the Company has issued the share capital of the Company with exclusion of subscription rights according to Section 186 para. 3 sentence 4 Stock Corporation Act (AktG) and several convertible bonds with the exclusion of subscription rights. Shares which were sold or issued before during the time of this Authorization and in direct or corresponding application of Section 186 para. 3 sentence 4 Stock Corporation Act (AktG) as well as shares which were issued to

serve convertible bonds or bonds with warrants or participations rights with conversion or option rights, insofar that these bonds were issued during their term according to this authorization pursuant to Section 186 para. 3 sentence 4 Stock Corporation Act (AktG), are to be credited against the possible use of shares reacquired by the Company itself with the exclusion of subscription rights. As a result, the authorizations to use reacquired shares of the Company were pursuant to Section 186 para. 3 sentence 4 are thereby fully exhausted. The Company's own shares may be acquired by the Company itself by the Company itself and also by dependent or majority-held companies (group companies) or for the account of the Company or third parties acting for the account of group companies.

As to Agenda item 10, the Management Board and the Supervisory Board propose that the Company be authorized to acquire its own shares in addition to the possibilities provided under Agenda item 9 also by the use of equity capital derivatives.

The acquisition of its own shares can take place through the stock exchange or by way of a public purchase or Exchange Offer. In the course of the acquisition, the principle of equal treatment of shareholders according to Article 9 Section 1 c) (ii) SE-Regulation in conjunction with Section 53a Stock Corporation Act (AktG) is to be complied with. The proposed acquisition through the stock exchange or by way of a public purchase or Exchange Offer takes account thereof. If in the course of a public purchase or Exchange Offer the number of offered shares exceeds the purchase volume intended by the Company, the acquisition or exchange takes place proportionately in the relationship of the offered shares per shareholder. However, irrespective of the shares offered by the shareholder a purchase or exchange of a minor number of up to 100 shares per shareholder can be preferred. Shares with a price set by the shareholder at which the shareholder is prepared to sell the shares to the Company and which is higher than the purchase price set by the Company will not be considered for acquisition. That applies analogously to an exchange ratio set by the shareholder by which the Company would be obliged to deliver and transfer more Exchange Shares than the exchange ratio set by the Company for shares of the Company.

- a) The proposed authorization provides that shares of the Company acquired by it can be redeemed without any further General Meeting resolution or can also again resold through the stock exchange or by public offer to all shareholders. The redemption of the Company's own shares has in principle the result of reducing the share capital of the Company. The Management Board is however also authorized to redeem the Company's own shares without reducing the share capital according to Section 237 para. 3 No. 3 Stock Corporation Act (AktG). The proportion of the other shares of the share capital according to Section 8 para. 3 Stock Corporation Act (AktG) (nominal amount) would thereby proportionally increase. In both of the sales methods stated, the corporate law principle of equal treatment will be complied with.

- b) On June 11, 2014, the General Meeting resolved on the authorization to issue stock options to members of the Management Board, and to selected leading employees of the Company and affiliates of the Company. The underlying stock option programs – the Stock option program (AOP 2014) served the targeted incentivisation of the participants in the program and to bind the participants to the Company. The issuance of additional stock options is not targeted under the AOP 2014. It is provided that the Company apart from shares out of conditional capital is also intended to be able to use also its own shares to serve stock options already issued. The transfer of the Company's own shares instead of availing of any conditional capital available can be a financially useful alternative because it avoids to a great extent the expense and other dilution effects from a capital increase and the admission of new shares. The exclusion of subscription rights is therefore in principle in the interests of the Company and its shareholders.
- c) In addition, it is also intended to be possible for the Management Board with the consent of the Supervisory Board to offer and transfer the Company's own shares as consideration in the course of mergers or on the acquisition of companies, plants, company parts or interests. The authorization proposed for this reason is intended to strengthen the Company in competition for interesting acquisitions and to enable it to react rapidly, flexibly and without impairing liquidity to acquisition opportunities arising. The proposed exclusion of subscription rights of shareholders takes account of this. The decision whether in any particular case the Company's own shares from an authorized capital will be used is made by the Management Board, guided solely by the interests of the Company and the shareholders. In the course of the valuation of the Company's own shares and the consideration for them, the Management Board will ensure that the interests of the shareholders are reasonably protected. The Management Board will thereby take account of the stock exchange price of the shares of the Company. No schematic linking to a stock exchange price is intended, in particular so that negotiation results once achieved cannot again be questioned due to fluctuations in the stock exchange price.
- d) It is intended that the Management Board be enabled with the consent of the Supervisory Board to sell acquired shares of the Company for cash to third parties with the exclusion of the subscription rights of the shareholders if the sale price for each share does not significantly fall below the stock exchange price of shares of the Company at the time of the sale. With this authorization the possibility of simplified exclusion of subscription rights permitted by Article 5 SE-Regulation in conjunction with Section 71 para. 1 No. 8 sentence 5 Stock Corporation Act (AktG) in analogous application of Section 186 para. 3 sentence 4 Stock Corporation Act (AktG) is availed of. The Management Board is thereby placed in a position to be able rapidly and flexibly to use the opportunities of favorable stock exchange situations and achieve by a market

near price setting the highest possible resale price and thereby usually achieve strengthening of equity capital or access to a new group of investors. The authorization is subject to the shares issued with exclusion of subscription rights not exceeding a total of 10% of the share capital, whether at the time of the resolution or at the time of the use of the authorization. Shares which have been issued during the term of the resale authorization in direct or analogous application of Section 186 para. 3 sentence 4 Stock Corporation Act (AktG) are to be credited against this limit. Shares issued or to be issued to serve convertible bonds or bonds with warrants or participations rights with conversion or option rights also fall hereunder if these bonds were issued or sold during the term of this authorization up to this time with the exclusion of subscription rights analogously to Section 186 para. 3 sentence 4 Stock Corporation Act (AktG). The asset and voting interests of the shareholders will be reasonably protected by this manner of sale of the Company's own shares. The shareholders have in principle the possibility to maintain their proportionate participation on comparable conditions by purchasing shares through the stock exchange.

- e) The acquisition by the Company of its own shares with the use of derivatives in the form of put and call options or a combination of both may only take place through options with a financial institution or through the stock exchange on usual market conditions. For the avoidance of a dilution effect the acquisition of the Company's own shares with the use of derivatives in the form of put or call options or a combination of both is also limited to a maximum of a total of 5% of the share capital, the Company's own shares acquired through derivatives being credited against the maximum limit of 10% of the share capital of the Company in the course of the acquisition and holding of the Company's own shares.
- f) In addition, the Company is also intended to be able to use its own shares to serve acquisition obligations or acquisition rights to shares of the Company out of and in connection with conversion or bonds with warrants or participations rights with conversion and option rights issued by the Company or one of its group companies. For this purpose, the subscription right of shareholders must be excluded. This applies even in the case of a sale of the Company's own shares by public offer to all shareholders for the possibility of granting creditors of such instruments subscription rights to shares to the extent to which they would be entitled if the relevant conversion or option rights had already been exercised (protection against dilution). This authorization is subject to the condition that the shares issued with the exclusion of subscription rights may not exceed a total of 10% of the share capital, whether at the time of the resolution or at the time of the exercise of the authorization. Shares which have been issued during the term of the resale authorization in direct or analogous application of Section 186 para. 3 sentence 4 Stock Corporation Act (AktG) are

to be credited against this limit. Shares issued or to be issued to serve conversion or bonds with warrants or participations rights with conversion or option rights also fall hereunder if these bonds were issued or sold during the term of this authorization up to this time with the exclusion of subscription rights analogously to Section 186 para. 3 sentence 4 Stock Corporation Act (AktG).

The Management Board will report at the next General Meeting in each case according to Article 5 SE-Regulation in conjunction with Section 71 para. 3 sentence 1 Stock Corporation Act (AktG) on any exercise of this authorization.

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