» 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 the issuance of convertible bonds based on the authorization of June 2, 2017 with exclusion of subscription rights on October 4, 2017

The Management Board was authorized by resolution of the Annual General Meeting on June 2, 2017, with the consent of the Supervisory Board, to issue until June 1, 2022 one or multiple convertible bonds, bonds with warrants, participation rights and/or participating bonds (or a combination of these instruments) with a nominal value of up to EUR 3,000,000,000 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 67,000,000 in accordance with the underlying documentation of the convertible bonds, bonds with warrants and participation rights (hereafter "**Authorization 2017**"). For issuing these bonds, a Conditional Capital 2017 of EUR 67,000,000 was created (Article 6e Articles of Association).

According to the Authorization 2017, on October 4, 2017, the Company issued an unsecured, unsubordinated convertible bond with a maturity date of January 5, 2026 and a total nominal value of EUR 800,000,000, 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/II**").

The Convertible Bonds 2017/II were issued at 100% of their nominal value. The Company may terminate the Convertible Bonds 2017/II as of January 27, 2023 in accordance with the underlying bond documentation if the market price of the bearer shares of Deutsche Wohnen SE amounts to at least 130% of the conversion price over a certain period of time. Early repayment will generally not be granted to the bondholders. The Convertible Bonds 2017/II will bear a coupon of 0.60 % p.a. The initial conversion price amounts to EUR 50,8460 and therefore surmounts by 40.0% the reference price of EUR 36.3186 for a Deutsche Wohnen SE share. The reference price corresponded to the arithmetic mean of the daily volume-weighted average prices of the shares of Deutsche Wohnen SE in XETRA trading on September 26 and 27, 2017.

The right of the shareholders of Deutsche Wohnen SE to subscribe to the Convertible Bonds 2017/II 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 Stock Corporation Act (AktG) and as authorized by the Annual Meeting on June 2, 2017. The Management Board and Supervisory Board believe that the exclusion of subscription rights was justified.

The issued Convertible Bonds 2017/II initially were convertible into 15.7 million new or existing bearer shares of Deutsche Wohnen SE. This corresponds to around 4.4% 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/II which was provided for in the authorization of the annual meeting on June 2, 2017 was thus fulfilled.

Also the authorization requirements of the annual meeting of June 2, 2017 concerning the determination of the face value of the Convertible Bonds 2017/II were fulfilled. The face value of the Convertible Bonds 2017/II with a maturity date of 8 years and 3 months corresponded to an initial conversion premium of 40% above reference price of EUR 36.3186 per share of Deutsche Wohnen SE with a coupon of 0.60 % p.a. 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 Stock Corporation Act (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 most optimal total conditions 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 (Article 5 SE-Regulation in conjunction with Sections 221 para. 4 sentence 2, 186 para. 3 sentence 4 Stock Corporation Act (AktG)) however would not have allowed for short-term reactions to current changes in the markets. Financial instruments such as the Convertible Bonds 2017/II 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 (Article 5 SE-Regulation in conjunction with Sections 221 para. 4 sentence 2, 186 para. 3 sentence 4 Stock Corporation Act (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/II was primarily used to finance the reacquisition of the convertible bonds issued on September 8, 2014 in the amount of EUR 400,000,000 and thereby to lessen the dilution of the previous shareholders. 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/II when issued to approximately 4.4% 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/II 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 or adverse total conditions, 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 2, 2017, was objectively justified.

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